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**THE CHILDREN'S DEVELOPMENT
COMMISSION ACT OF 1998—S. 2178**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

ON

S. 2178

P15-73
**STANFORD
LIBRARIES**

TO AMEND THE NATIONAL HOUSING ACT TO AUTHORIZE THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT TO INSURE MORTGAGES FOR THE ACQUISITION, CONSTRUCTION, OR SUBSTANTIAL REHABILITATION OF CHILD CARE AND DEVELOPMENT FACILITIES AND TO ESTABLISH THE CHILDREN'S DEVELOPMENT COMMISSION TO CERTIFY SUCH FACILITIES FOR SUCH INSURANCE, AND FOR OTHER PURPOSES

OCTOBER 6, 1998

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



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THE CHILDREN'S DEVELOPMENT COMMISSION ACT OF 1998—S. 2178

TUESDAY, OCTOBER 6, 1998

**U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.**

The Committee met at 11:15 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Alfonse M. D'Amato (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN ALFONSE M. D'AMATO

The CHAIRMAN. The Committee will come to order.

Today, the Committee will be receiving testimony with respect to S. 2178, the Children's Development Commission Act of 1998. This legislation was introduced by my good friend Senator Kohl, the principal architect here in the Senate, on June 16, 1998, and I was very pleased to join with him. A companion measure, H.R. 3637, was introduced by my colleagues in the House, Representatives Richard H. Baker and Carolyn B. Maloney, on April 1, 1998.

I believe this legislation addresses a very serious problem facing many American families—the shortage of affordable, quality child care. America is facing a shortage of quality child care which is approaching crisis levels. This shortage bears most heavily on working families, especially young working single mothers. Every day, more than 5 million children under age 13 are left unattended after school.

The high cost of child care impacts directly on families, affecting their ability to pay the rent or the mortgage, to put food on the table, or to save for their children's education. The lack of decent, high-quality child care also impedes the development of critical learning skills these children absolutely need in order to succeed later in life.

In New York, the average cost of day care is over \$6,000 per year—and many families end up paying \$10,000 per year, depending on the number of children. We have some charts here which indicate this.

Indeed, if you look at the first chart, you can see the incredibly high cost of child care in New York. Care for infants is more costly than for older children, and day care centers are more costly than family-run child care homes. Let's look at the average annual cost of child care in New York for a 4-year-old. That cost is \$5,612 per year. To put that cost into context, the average annual public college tuition is \$3,700, or two-thirds the cost of child care.

The second chart shows some of the national costs. You see the gravity of this problem when looking at the costs for these selected cities. Costs like these are absolutely debilitating to most American families.

Our third chart shows the percentage of children under age 5 with employed mothers. The chart also shows the growth in the number of very young children, those children under age 5, who have working mothers. The problem isn't getting any better. It's becoming more exacerbated. The percentage of very young children with working mothers has nearly doubled over the last 20 years—from 28 percent to more than 52 percent.

This chart is based on the latest census available. It does not reflect the impact of welfare reform. We would expect, as some anticipate, that the projected figures will reach as much as 85 percent.

The problem is real. It is acute. We believe this legislation begins to provide an opportunity for taking care of these children in a meaningful way.

I want to thank my three colleagues, who have been so arduous and committed in their work effort, for bringing forth a proposal that can and will make a difference.

Let me now recognize my colleague in the Senate, Senator Kohl.

**OPENING STATEMENT OF HERB KOHL
A U.S. SENATOR FROM THE STATE OF WISCONSIN**

Senator KOHL. Thank you, Mr. Chairman. I'm pleased to be here today. I cannot stay beyond my statement, but I want to take this opportunity to speak today and to thank you, Mr. Chairman, for making time in this busy week to address the issue of financing quality child care. As you know, the Chairman is the Republican coauthor of S. 2178, the Children's Development Commission Act, or "Kiddie Mac."

I also want to thank Representatives Maloney and Baker, who introduced Kiddie Mac legislation on the House side and who have worked tirelessly to develop the technical details of this legislation.

This legislation will encourage lenders to make long-term loans for building or renovating child care facilities. I will leave it to my House colleagues, who have so much expertise in these areas, to discuss the details of this proposal. I would like to speak briefly on the problem we seek to address.

One casualty of this year's increasing partisanship is the drive to increase the accessibility of quality child care in our country. Last January, we saw both Republicans and Democrats embrace the ideas of tax credits for employer-provided child care, increased funding for early education programs, and innovative ideas for training the teachers of our youngest children. As we end the legislative year, I am afraid none of these new programs will have become law. That is more than just a shame. It is a huge missed opportunity.

We have always talked about the necessities of life as being food, clothing, and shelter. I believe it is time that we added a fourth—quality child care. Quality child care is necessary to give our children the strong start they need. It is necessary if we are going to take advantage of the tremendous ability to learn in those first 3 years of life. Quality child care is also necessary in order for the

growing number of families in which both parents work—and for the growing number of single-parent families—to be able to earn a living, and for the businesses that want to attract and retain productive, happy employees.

Unfortunately, by every measure and in every State, quality child care is in short supply. In most areas of our country, the sweeping welfare reform we passed has exacerbated existing shortages. In my State of Wisconsin, the State's welfare reform plan will generate the need for 8,000 new child care slots in Milwaukee County alone. In New York City, by the year 2001, there will be 30,000 more children who need child care than there are child care spaces for them.

Kiddie Mac is a market-based, small-government approach to moving capital toward investments that will remedy these unacceptable shortages of quality child care. Kiddie Mac's services will be available to any organization who can show they will provide quality child care: businesses, nonprofits, churches or synagogues, family home providers, or after-school programs. Decisions as to how the care will be provided are left where they belong—with the local providers, with local communities, and with the parents.

I thank you for your attention. I look forward to working with everybody as we make a last effort this year to turn this modest proposal into law.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator, let me thank you for your leadership. I was pleased to join with you this past June, and it was because I know of your commitment.

It seems to me this legislation, and I know both Representative Maloney and Representative Baker will testify to its implementation, provides a most cost-effective way in which to help finance decent, affordable day care, thereby reducing some of those costs we have seen on the charts, which are so tremendous, and meeting the needs.

We see the third chart continuing to grow. This chart, as we indicated, does not reflect current figures. We only have figures up to 1993. Some people indicate in terms of working mothers with children under the age of 5, that instead of it being 52 percent, it's now closer to 60 percent and approaching 65 percent, particularly with the adoption of welfare reform, where more people are moving into the work effort.

I assure you I will do everything possible. I believe there is a question of some funding, and we have had some promises as it relates to that. I know Representative Maloney will be speaking to that. She has had me on the phone day and night, and I would imagine both of my colleagues as well.

[Laughter.]

Richard, I can't imagine what it would be like having her over there, seeing her every day.

[Laughter.]

She has been driven by this. I say that in the most encouraging of ways because she is tremendously committed to this legislation and to helping in some manner to resolve this problem.

I know, Senator, that you have a commitment with the Judiciary Committee. I believe you're holding hearings now on something like

11 nominees. If there is anything else you would like to add before you go, please feel free. I just wanted to add my thanks for your leadership in this area.

Senator KOHL. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Congressman Baker, it's good to see you. It's always a pleasure to work with you because you seem to get things done.

Representative BAKER. Thank you, Senator.

The CHAIRMAN. I don't care what the issue is or whether you're in the minority or the majority, you're always on the cutting edge.

It's good to have you here and to have you in tandem with the dynamo, Representative Maloney, who, when it comes to this particular legislation, has been absolutely persistent and dedicated in her effort to try to bring some measure of help and relief to this tragic situation relating to the high cost.

Representative Baker, we look forward to hearing from you.

**OPENING STATEMENT OF RICHARD H. BAKER
A U.S. REPRESENTATIVE IN CONGRESS
FROM THE STATE OF LOUISIANA**

Representative BAKER. Thank you, Mr. Chairman. I want to join with Senator Kohl and Congresswoman Maloney in commending you. I am very appreciative of your willingness not only to conduct the hearing, but also to join as a cosponsor. Your leadership on this will mean a great deal to the future of the legislation.

I would fully agree with your observation that Congresswoman Maloney has been absolutely tireless. Before the introduction of this bill, we spent countless hours with staffs trying to work out what we thought was the most logical approach to address what has been identified as a very serious problem. What we finally agreed upon at introduction was what has been described as a low-cost small step to begin resolving what is an incredibly growing problem in this Nation.

As we look at the condition of child care in my own State of Louisiana, I'm sure that it's not too dissimilar to that of the folks in New York—the costs are high, the availability is limited, and all too often, the conditions in which children are kept are not the most desirable.

It's a very difficult problem to remedy because the owners of that child care facility, frankly, all too often do it because they care about kids, not so much about profit, and they're not, under current bank rule, always a credible borrower. For that reason, even though they may be well motivated to provide additional playground equipment, fences, or other advantageous assets for the operation of the facility, they may find themselves without an ability to close the loan.

Hence, the idea of the HUD-based guarantee, which would allow the lender to extend credit to the individual who operates a child care facility, but to ask of that child care provider, upon receipt of the loan proceeds, to invest it in enhancements to the operation of that child care facility. This would mean that we not only get better child care in consideration to extending this loan, but also more child care because individuals who may keep two or three of the neighbors' children, who actually do a very good job, may now be

able to obtain that loan to get their own facility and do it on a commercial basis. I see the HUD-guaranteed loan program as a critical first step in facilitating access to bank loans for operators of child care facilities.

That's not all. There is always a problem in getting the necessary insurance, liability and otherwise. It is not sufficient just to have the funds. You need to have that insurance protection in order to make sure if an inadvertent error occurs and someone is injured, that it doesn't result in closure of the child care facility because of the lack of coverage.

We empower the Commission, which is created to determine the best and easiest manner in which insurance may be extended to child care providers, to make recommendations to this Congress, in future sessions, if any further action or statutory authorization might be required.

Finally, the Commission will also be innovative in its efforts to create educational programs. Often, you have well-intentioned people who simply don't know the law or what the child care requirements might be. Coupling educational programs with insurance access with the opportunity to get a small-dollar loan specifically for the purpose of enhancing the quality of care is a program that makes a lot of sense.

It would only require an initial capitalization of \$10 million—in the scope of HUD operations and child care programs, not a meaningful amount. But the premiums which would be collected from the repayment of the loans would, we believe, make the program cash flow without any future liability to the American taxpayer.

I do believe, however, that most taxpayers would look upon this effort as one well worth funding and support because of the overwhelming need which you have identified earlier in your remarks, Senator.

My role here today is simply to be in support of Ms. Maloney, who probably needs little support in explaining this measure. In working with her, I have found her to be truly committed to this goal. We believe, together, we have come forward with a proposal that makes economic sense to taxpayers, yet, in a responsive way, does something to end a significant problem in our country.

I hope, Senator, that you will continue in your efforts to find ways to move this legislation forward. If there is anything I can do to be of further service, I hope you will call me.

I told Ms. Maloney that I certainly would set aside anything to be here for this hearing, but I do have an obligation on the House side I must return to.

The CHAIRMAN. Congressman, I want to thank you. I know with your leadership in the House, coupled with the drive and determination of Congresswoman Maloney, we have a good opportunity to make a very real breakthrough—small, but important.

I want to commend you and thank you for coming and lending your support. The cogency of your remarks is certainly noted.

Representative BAKER. Thank you very much.

The CHAIRMAN. Thank you.

Representative Maloney.

**OPENING STATEMENT OF CAROLYN B. MALONEY
A U.S. REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW YORK**

Representative MALONEY. Thank you, Senator D'Amato. I want to thank you very much for giving us this opportunity to examine this bill. I believe this bill will go a long way toward helping with the problem of the extreme shortage of affordable, available, and quality day care. It doesn't take care of the whole problem, but it's an important first step. It provides for the infrastructure and the liability insurance which has been a deterrent to many people who are in this field.

My thanks also to Senator Kohl and Representative Baker and his staff. We have worked, as he said, hours and hours on the Children's Development Commission Act, or "Kiddie Mac," as I like to call it.

As we all know, each State is now currently implementing its own version of the Welfare Reform Act. As more and more women are entering the workforce, the need for child care is growing. In New York City, our city, the numbers are daunting. New York State Comptroller, Carl McCall, recently issued a report on day care which concluded that by the year 2001, the city will need places for 61,000 children, and there will be room for only half of them. There will be 33,000 young people who will not have a day care slot to go into.

I am certain that this pattern is repeated across the country. Last January, as we all know, President Clinton came forward with a comprehensive plan to provide child care. It was based on funding with the tobacco tax. That has not moved in this Congress, but there is still a solution on the table that could pass, Senator, with your help.

The Children's Development Commission would work with businesses and banks to help children. It is a very modest proposal, a \$10 million investment in our children's future. It could possibly spur millions more.

Although not a Government-sponsored entity, Kiddie Mac could absolutely revolutionize child care in much the same way that Fannie Mae and Freddie Mac have revolutionized homeownership in the United States. Fannie Mae and Freddie Mac have made owning a home more accessible by using the free market, which is exactly how Kiddie Mac will make quality care a greater reality.

This is how it would work. If a person wishes to open, build, or rehabilitate a child care facility, that individual would go to a bank to apply for a loan. Historically, banks have been reluctant to lend to child care providers because of the provider's lack of business experience, the lower cash flow of such facilities, and the general inexperience of banks with child care. But Kiddie Mac would present a new opportunity for lenders. Banks could submit an application to the Commission, which would make more certain that the loan met with both financial and quality standards. It would then authorize HUD to issue a guarantee to the bank for the loan, thereby reducing some of the risk to the bank, making them more willing to lend.

What effect would this have on the child care entrepreneur? One woman—and there have been many that have contacted me and

"Lifetime"—Ellen Cromwell of Potomac, Maryland, started a day care center in the early 1980's. She was constantly fighting to find space. She wanted to build her own facility.

Despite the success of her center, she could not get the financing. Then she heard about a Maryland program specifically designed for child care facilities. Maryland's day care financing program gave her a loan guarantee and, today, the Georgetown Hill Center is very successful. No claims have been made against the guarantee fund in Maryland, which shows the success of it on a State level.

Another way that Kiddie Mac will help child care entrepreneurs will be to make small-purpose loans available to help existing unlicensed child care providers make the necessary changes to become licensed facilities. We have this tremendous problem in New York City, Senator D'Amato, with the family day care network. Many of the welfare recipients are opening up centers in their homes. They need help to bring them up to State standards so they can become certified. Kiddie Mac could help them do that.

In addition, some of our large firms have told me that the reason they didn't put day care into their facilities is because of a fear of liability. Kiddie Mac would help by providing much greater access to affordable liability insurance.

In an article published in *The Washington Post*, Judy Mann describes Kiddie Mac as "an imaginative and low-cost proposal which could expand the Nation's supply of child care." She states at the end of the article, "Good child care is an investment in everyone's future." I would like to put that article by Judy Mann into the record.

I would like to close, Senator, by thanking you for holding this hearing, for sponsoring the bill, and for working on the proposal. While we may disagree on some other things, I know we agree that working to get quality affordable child care to our parents and our children is not a Democratic or Republican issue, but a parents issue, a grandparents issue, a kids issue, an issue for us all.

Your focus on it today has helped us move in the right direction. It is a modest, small proposal. We have a few days left. I'm still hopeful that we can pass it.

Thank you.

The CHAIRMAN. Congresswoman Maloney, I have to tell you, I am not only moved by the cause and the need, but also by the commitment you have shown. Indeed, the hearing today comes as a result of your persistence, notwithstanding the lateness of the session. Obviously, you are aware that here in the Senate, the rules are such that any one Senator from either side of the aisle can basically stymie legislation.

The chances of us being able to accomplish this mission and your goal of having this legislation enacted into law are remote. Nonetheless, I believe we have pushed the ball forward. We will ask staff to examine and to circulate this, as well as take testimony from those who are on the front line, the providers and people who understand the nature of the problem.

I understand the House has some proposed improvements to the bill, and our staff at present is working with your staff and the House staff to see if we can't deal with some of those. Maybe, if there is a chance, in the continuing resolution, we might be able

to do something because, as you say, it is very modest in terms of funding. We will try, but we must recognize that we are late in the session.

I would ask, because I know you have indicated that you would like to participate, if you wouldn't like to join us on the panel as we hear from the next group of witnesses.

Representative MALONEY. Thank you, Senator.

I would like to ask if I could introduce a woman who can tell us her story about how very difficult it is to start a child care center. Her name is Cheryl Luce, and she is here accompanied by three more generations: Her grandmother, her mother, and her child.

The CHAIRMAN. Certainly.

Representative MALONEY. If they would come forward.

I wanted to add, Senator, that Secretary Cuomo of HUD has indicated his support for this program, and has also indicated that he would fund it out of his existing budget if we could just get it through Congress. As Congressman Baker pointed out, after the initial modest investment, the premiums and interest go into a revolving loan so that there is no additional Federal or taxpayer money required. It is an innovative way to get money out into the communities to help people like Cheryl get started.

For many of the people who work in child care, it would be wonderful if we could get something through in this Congress. They are working so hard to show there is still hope.

If I may, I would now like to introduce Cheryl. Cheryl is from Boothwyn, Pennsylvania. She and her mother wanted to open a child care center, but the financial issues proved to be too great.

The reason we know about Cheryl is that Lifetime Television, through their commitment to children's issues, placed a child care petition on their Web site. Through this site, thousands, literally thousands of women across this Nation have written in and told their stories. I would like to thank Lifetime for placing this bill and the stories of these women on their Web site.

Cheryl, we look forward to hearing your story.

**OPENING STATEMENT OF CHERYL LUCE
PROSPECTIVE CHILD CARE PROVIDER
BOOTHWYN, PENNSYLVANIA**

Ms. LUCE. Thank you. I would like to start by saying that child care has been important to my family for four generations now. I'm very proud to be here today with my grandmother, Anita Thompson, who worked in child care for many years in Texas. With her is my mother, Anita DeFrank, who started working in child care while in high school, and has carried on ever since. Finally, accompanying me is my daughter, who has been in day care since she was 3 months old. She will be 5 next week, and is still enrolled in a licensed kindergarten program at her day care center.

I wrote to Lifetime Television because, being a single working mother, I know first-hand the challenges that we face trying to find safe and affordable child care today.

When my daughter was born, I lived in Wayne, Pennsylvania, and there were no openings in the day care centers in my area. In addition, the cost of day care for an infant was \$800 per month, which was not within my budget.

I finally found an opening, but I had to drive four towns away to put my daughter in a day care center. The teachers were committed, they were very nurturing, but the center was not up to par. As far as educational tools for teaching the children, the teachers often had to pay out of their own pocket to obtain the supplies they needed.

The other parents in the center were also a bit disenchanted with what was happening. I have had an entrepreneurial spirit for a long time and decided this is where I could make a difference.

I read "It Takes A Village," and I agree we all have to be committed to helping in child care and raising the children today, so I approached my mother with my idea. She agreed to be my business partner and help me open a center called A Child's Village.

Going forward, I started writing my business plan with a lot of excitement, knowing that I could open one of the best centers in the area. A center that would be supportive, not just of child care, but of family issues, by offering parenting classes in the evening, a lending library of books and videos on parenting issues, and perhaps babysitting services on the weekends so couples could spend quality time together knowing their children were safe at a day care center. My mother, again, offered all of her support.

I approached the Small Business Administration with my business plan, and was informed about prequalification programs for women. I was also told they were not exactly open to funding child care. However, SCORE representatives were of great assistance in helping me to develop my plan.

I then contacted several loan officials, who immediately thought I wanted to open day care, meaning just babysit a few kids in my home. I explained that I was looking to open a business, that this was going to be a service for 45 families in the community, as well as a new employer.

The township of Bethel, which is where I was raised and where my mother still lives, is the area I selected to open my center. I selected that area because, currently, you have a waiting period of 9 to 18 months to get your child enrolled.

We joke about New York City, that if you want your child in the best prep school, you have to enroll that child the day the child is born. The way it is today, to get child care for your infant, you have to get on a waiting list at a center in your area before that child is conceived. We cannot continue to let our children suffer this way by putting them in care that's not adequate because there are no openings.

We continued to contact banks and loan officials. When I finally convinced them that I was looking to open a business, the first question I was asked was how much equity did I have in my home and was I willing to put my home on the line? I answered yes, I have some equity in my home and I am willing to put my home on the line.

I was then asked how much I had in my 401(k) and if that was something I could borrow against. I was also asked if my mother, who has worked for many years to gain the equity in her home, would be willing to pledge her own home as collateral because they basically wanted to know they had 100 percent collateral behind the loan that I was going to ask for.

They offered that perhaps it would be easier for me to get financing if I asked for a lesser sum than what my business plan proved I needed. But to do that, I was going to have to make some cuts somewhere.

In order to open a day care center in Pennsylvania, I have to meet the standards for the State and the local community, including standards that pertain to accessibility. Many renovations to the property are going to be needed before we can be licensed to open. For example, I have to pave the driveway. I can't make any budget cuts in that area. These things have to be done before I can extend any finances to where we really need them.

We were hoping to put in an Internet system so that parents and grandparents would be able to log on to find out how their children and grandchildren were doing. We wanted to be able to let them know that they were safe throughout the day.

That will have to be one of the first things cut if we're not able to get the funding. My library, which I thought was such a brilliant idea to help people with parenting, will also have to be cut.

The area which concerns me most is the easiest place to cut. The day care owners that I know are making their budget cuts by not buying up-to-date educational tools and playground equipment for the children. The children are going to continue to suffer.

With Kiddie Mac, we may be able to do everything we planned. Of course, I'm going to pledge my home. I know whenever I go for a loan, they want some collateral. But perhaps with Kiddie Mac, I won't have to have 100 percent collateral in order to obtain the loan. Perhaps they will review my past work experience and my credit application and be able to help me open a quality child care center.

At present, the township where we plan to open does not have one licensed day care center. The families have to drive 15 minutes away. Yet, they have made plans to build 1,500 new homes in the next 3 years. These are all families that will not have services. Kiddie Mac may help with the future for the children of America.

Thank you.

The CHAIRMAN. Let me commend you, Ms. Luce, for obviously being someone who has very thoughtfully attempted to develop a program. The fact, as you pointed out, that you need 100 percent collateral behind a loan is an extremely daunting task for anyone, even a person of your commitment.

Indeed, the very aspect that there could be some kind of Federal guarantee, would reduce that onerous burden that would be placed on you. Just as important, it would give you the opportunity to see to it that your plan was one that was carried out in the fullest, so that you would be well capitalized with the kind of equipment and services that would give you a better opportunity of making a success of the venture, both in financial terms and in terms of the kind of quality services that you would like to render.

I believe your testimony is very cogent and underscores the need for some program at the Federal level that does not become intrusive, yet gives to the private sector and to people such as yourself the opportunity to undertake that which otherwise they may be precluded from.

I know you are going to go forward in one way or the other. But there may be others who simply do not have the kind of reserves, the kind of determination, and the kind of business acumen that you obviously have to be able to undertake this.

Your testimony is very valued and we are deeply appreciative. Once again, I want to commend Congresswoman Maloney for her perspicacity because she never gives up.

Thank you very much for coming.

Ms. LUCE. Thank you.

The CHAIRMAN. We have been joined by my colleague, Senator Reed. I don't know if he would like to make a statement before we call our next panel. Thank you, Senator Reed, for being here.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. Thank you, Mr. Chairman. I am delighted to be here and I commend you for not only holding the hearing, but also for your support of this initiative.

For as long as I have been involved in public life, I have been working with child care providers, and understand that our whole child care system is subsidized by these individuals, by their commitments of time and money. It is about time that we think of ways in which we can provide some support from the Government more directly and dramatically to these child care providers.

I thank them for what they do every day. If we only paid child care providers as well as we pay some people in our society, we would create a much better place in which to live.

This is at least one way in which we can think about providing more resources for a very important part of, not only our economy, but also our society.

Again, thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

We are going to call our second panel. First, we will hear from Mildred Wurf, Director of Public Policy for Girls Incorporated®, Washington, D.C. She will be followed by Melinda Green, Director of the African-American Early Childhood Resource Center at the National Black Child Development Institute, Washington, D.C. Finally, we will hear from Faith Wohl, President of Child Care Action Campaign in New York.

Ladies, your written testimonies will be made part of the record as if read in their entirety. I'm going to ask you to attempt to limit your comments to 5 minutes.

Ms. Wurf, we will begin with you. Thank you for being with us.

OPENING STATEMENT OF MILDRED KIEFER WURF DIRECTOR OF PUBLIC POLICY GIRLS INCORPORATED®, WASHINGTON, DC ON BEHALF OF GIRLS INCORPORATED® AND THE NATIONAL COLLABORATION FOR YOUTH

Ms. WURF. Thank you, Mr. Chairman, Senator Reed, Congresswoman Maloney. I'm pleased to have the opportunity to share our views on child care in this country as you consider S. 2178. My name is Mildred Wurf and I'm here representing the organization for which I work, Girls Incorporated, where I am Director of Public Policy, and the National Collaboration for Youth.

Girls Incorporated serves 350,000 school-age young people, most of whom are girls 6 to 18, at over 1,000 program sites nationally.

The National Collaboration for Youth includes 27 of the Nation's leading youth development organizations, including Girls Incorporated, the YMCA of the USA, the Camp Fire Boys and Girls, the YWCA, Boys and Girls Clubs, Big Brothers, Big Sisters, 4-H, all of whom provide child care, after-school child care, and, in many cases, care for younger children as well. The members of the National Collaboration for Youth comprise in aggregate the Nation's largest providers of programming for young people in the out-of-school hours. Collectively, the organizations serve 40 million young people each year, with 6 million volunteers and 100,000 full-time staff.

We have long been concerned about the question of child care. Our particular interest is in the area of public-private cooperation and in pointing attention to the fact that, as Senator D'Amato opened with, there are 5 million children between the ages of 5 and 13 who are left with unsupervised, unstructured time in the out-of-school hours.

Often, when we think of child care, we think of the infant and toddler who must not, of course, be left in an unsafe and unsupervised area. But we must also recognize that there are 5 million school-age children who are left alone. Today, I want to focus on the needs of those who are a little older, those between the ages of 5 and 14, who need care and supervision and who are old enough to look for trouble when left alone.

The after-school hours, the hours between 3 and 8 p.m., are peak times for juvenile crime, as the FBI has pointed out. The hours between 3 and 8 p.m. are also the peak hours for children to feel threatened by violence, by street gangs, by easy access to drugs, and other dangers.

The notion that when you're on your own, you can play safely out in the neighborhood, that somebody is always keeping an eye on you has gone. Today's children do not feel safe in their neighborhoods, and often not even in their own homes.

These empty hours are also a wasted opportunity for children when they might be participating in constructive, supervised activities that support emotional growth, improve academic performance, build and maintain healthy bodies, and develop their capacity for responsible adulthood. The problem is not in wondering what to do with this time. It is in making well-established programs available to the children who need these opportunities.

Extensive studies have been done by the Carnegie Council on early adolescence, by Public-Private Ventures, by the Eisenhower Foundation, by the Kauffman Foundation, all of which point out that we don't need new ideas—we need to make more of these services available to more children.

In the case of center-based child care, the need is not met by an increased supply because the revenues earned in the marketplace are too small, because the cost for most families is too high, as Senator D'Amato has pointed out, and because the capital investment needed is often too great. S. 2178, Kiddie Mac, can provide help with the latter issue.

A new national poll was conducted by the Mott Foundation with the results released just 2 weeks ago. This was a survey of Americans in all regions, economic circumstances, and parents and non-parents alike. That poll revealed that 93 percent of all Americans support increased after-school programs or out-of-school programs for young people, to the point that 80 percent expressed their willingness to have their taxes raised for that purpose.

This is enormous recognition by the public of a need. We can only be grateful to Congresswoman Maloney and Chairman D'Amato for coming forth with some congressional response to that need.

Certainly, public schools should be fully utilized in meeting the need, and resources provided by community-based youth development organizations should be involved in the planning and delivery of services. Many of these agencies provide the kind of care that's needed, and I would like to call a few examples to your attention.

The Camp Fire Boys and Girls Council, based in Syracuse, New York, serves low-income children in the city itself and surrounding rural areas. The Council provides all-day child care at their Camp Fire camp during school breaks in February and April as well as all summer. More than 150 children are cared for, all of them from low-income families. This program provides rare opportunities for these children to learn about nature and experience the fun of outdoor activities—swimming, hiking, and so on. It is collaborative in nature. For example, the Council secures bus transportation for rural children to come in from the Onondaga County Opportunities program, which functions with State and Federal money.

But the program is not able to serve all the children who apply. In order to expand, the camp site needs additional restroom facilities to meet the regulations. This is exactly the kind of need that Kiddie Mac might be able to meet.

In New York City, the Virtual YMCA, a cooperative venture among the YMCA of Greater New York, the New York City Board of Education, and the United Way, is now serving children from 67 elementary schools that are considered the most at-risk schools. This program operates 5 days a week, 3 to 6 p.m., throughout the school year. The long-term plan is to bring the program to 200 of the most underserved schools.

The Girls Incorporated program in Birmingham, Alabama, met the challenge when the schools there decided to go on a continuous calendar, which meant there would be 2-week breaks in October, December, and April, in addition to the summer break. Girls Incorporated responded quickly, but opening the center for expanded hours meant extra costs.

At all times, Birmingham Girls Incorporated has a waiting list of roughly 10 percent of the enrollment that they're able to handle. During the summer, they turn away parents and girls in droves due to space limitations. This again might be an area where a program such as Kiddie Mac could be of great help.

Such examples abound, but I thought that those would give you a sense of exactly how this legislation would meet a need.

The National Collaboration for Youth believes that the Federal Government has many important roles to play in meeting the crisis in the need for child care, including: encouraging partnerships between schools and community-based organizations; assuring the

availability of funding to local coalitions to provide diverse programs, for renovation of facilities, and for the screening and training of staff and volunteers; ensuring that facilities make consistent, appropriate space available during normal working hours whenever schools are closed; providing incentives to employers to increase access to quality and affordable school-age child care; providing funding for transportation; and establishing rewards and incentives for adherence to recognized standards such as those developed by the National School-Age Child Care Alliance and other accrediting bodies.

I recognize that S. 2178 does not address all of these points, but that's a comprehensive view of what we at the National Collaboration for Youth believe needs to be done, and in which the Federal Government has a role.

S. 2178 can be an initial step toward the provision of adequate quality after-school child care. Passage of this legislation would demonstrate that Congress recognizes the need expressed by people throughout the country, that Congress has understood that there is a public cry for this, and that the overwhelming majority of parents and nonparents alike support action in this area.

We do, of course, feel that \$10 million is a very small amount of money. It seems hardly adequate to fit the need. But I feel as if it's the nose of the camel in the tent, and it would indicate congressional response to a critical public problem.

We could only hope that there might be greater recognition of all the other areas of this problem in future congresses.

Thank you very much.

The CHAIRMAN. Thank you very much.

Melinda Green.

**OPENING STATEMENT OF MELINDA GREEN, DIRECTOR
AFRICAN-AMERICAN EARLY CHILDHOOD RESOURCE CENTER
NATIONAL BLACK CHILD DEVELOPMENT INSTITUTE
WASHINGTON, DC**

Ms. GREEN. Thank you, Mr. Chairman, Senator Reed, Congresswoman Maloney. It's a pleasure to be here and to take this opportunity to speak about the Children's Development Commission Act, S. 2178. I am Melinda Green, Director of the African-American Early Childhood Resource Center, and I'm very pleased, as I said, to provide this testimony.

The National Black Child Development Institute (NBCDI) supports the objective of the Children's Development Commission Act to increase the availability of quality child care. This is a critical need given the developmental needs of young children and the demand for child care among working parents, exacerbated by the work requirements of the Personal Responsibility and Work Opportunity Reconciliation Act.

S. 2178 would expand the availability of quality child care by making loans more readily available to child care providers for the construction, the expansion, and the improvement of child care and development facilities. In addition, the legislation offers reasonably priced liability insurance to child care providers to prevent the cost of insurance from becoming a major barrier to starting child care facilities.

NBCDI is very pleased that the legislation provides mechanisms for improving the quality of child care. These mechanisms include: (1) the establishment of Federal standards and requirements by the U.S. Department of Housing and Urban Development regarding child care and development facilities, designed to ensure that mortgage insurance is provided only for safe, clean, and healthy facilities that provide appropriate care and development services for children; (2) the requirement that the Children's Development Commission must certify that child care facilities are in compliance, or will be within 12 months, with local, State, and Federal standards; (3) the provision of small-purpose loans to help child care facilities improve the quality of their care; and (4) the establishment of a foundation to support research relating to child care and development facilities, to fund pilot programs in order to test innovative methods for improving child care, and to engage in public education activities and publish materials to guide those interested in mortgage insurance and other assistance provided by the Commission.

NBCDI would like to make the following recommendations to strengthen the Act. First of all, model Federal child care standards after national accreditation systems to ensure that participating child care and development facilities provide high-quality care.

The quality and safety of child care varies widely between States. Research indicates that "States ... with more demanding licensing standards have fewer poor-quality centers; centers that comply with additional standards beyond those required for basic licensing (such as those required for funding or accreditation) provide higher quality services." Therefore, NBCDI recommends that the Secretary of Housing and Urban Development adopt the accreditation system of the National Association for the Education of Young Children (NAEYC). This is a professionally-sponsored national, voluntary system that represents the consensus of the early childhood profession in regards to the definition of high-quality programs for children.

In addition, NBCDI recommends that the Secretary of Housing and Urban Development establish standards regarding family day care that reflect a national, voluntary accreditation system such as the one being developed by the National Association for Family Child Care jointly with the National Family Child Care Accreditation Project at Wheelock College.

The second recommendation is to expand function and requirements regarding small-purpose loans.

NBCDI recommends amending Section 5(c)(3) of S. 2178 in order to expand the function of small-purpose loans to include helping facilities comply with State licensing and registration standards and Federal standards that meet, again, the NAEYC's accreditation requirements. Additionally, this subsection should be amended to state that loans shall be made only for such facilities that will comply with these standards of quality no later than 12 months after certification of compliance by the Children's Development Commission. These changes, combined with the current language of the subsection, will ensure that small-purpose loans will function to improve the quality of child care.

NBCDI is pleased that the House and Senate Banking Committees are discussing increasing the length of maturity of the small-purpose loans from 7 years to 15 years. This is an improvement we strongly recommend for S. 2178. Extending the maturity of the loan will make it more affordable for child care providers.

The third recommendation is to provide technical assistance to child care and development facilities.

The importance of providing technical assistance as an integral part of child care financing has been supported by my own experience in the child care field, as well as by research based on financing strategies for child care facilities.

NBCDI is pleased by the technical assistance provisions being discussed by the House and Senate Banking Committees, but has recommended strengthening those provisions for the purposes of this legislation.

As equally important as providing loans to child care facilities is providing technical assistance to help providers qualify for loans and use the loans to effectively manage child care and development facilities and increase the quality of child care.

We heard that spoken so eloquently by Ms. Luce. Without that child care technical assistance, it was made very difficult for her.

While child care providers may typically know about caring for children, many need help with financial management, fund-raising, or facility construction and renovation. Therefore, NBCDI recommends that a mechanism is provided in S. 2178 for the provision of technical assistance to child care providers seeking loans. This technical assistance should be provided by stakeholders in the community in which the child care facility is or will be located, and who have expertise in early childhood education and the fiscal and legal aspects of child care.

As a former Executive Director of the Child Care Connection, a child care resource and referral agency in New Jersey, I led the organization in a collaboration with other organizations to expand the number of child care slots serving low-income families and to strengthen the management capability of any existing centers. This collaboration, called the Child Care Collaboration, also known as Building Stronger Centers, is a statewide, ongoing project that provides technical assistance and low-interest loans through a revolving loan fund to child care centers. The Child Care Collaboration has served 16 centers in New Jersey and receives both public and private funds.

Centers served by this collaboration receive technical assistance prior to the disbursement of loans to promote effective use of the loans. NBCDI strongly recommends that this technical assistance model be adopted by S. 2178. The value of technical assistance lies in its ability to strengthen child care facilities financially through the development of a sound business plan and to improve the quality of child care through staff development and training. It is important to note that although the Child Care Collaboration in New Jersey focused its attention on centers serving primarily low-income populations, NBCDI recommends adopting this technical assistance model for centers and family day care serving moderate-income families as well.

Finally, S. 2178 takes an important step toward increasing the Federal Government and private-sector roles in child care financing. However, NBCDI maintains that our recommendations delineated in this testimony are critical to ensuring that the Children's Development Commission Act promotes the healthy development of children. As equally important as increasing the supply of child care, is improving the quality of that care.

Child care facilities in general, particularly nonprofit programs in low-income neighborhoods, have difficulty securing loans. First, many facilities are operating in space occupied at reduced rent, thereby allowing them to charge reduced fees to parents. Incurring debt means that they would have to raise those fees or receive increased reimbursement rates from the Government.

Second, child care programs often do not have the equity needed to secure a loan. This is supported by a 1997 study called "Financing Child Care in the United States," as well as my own experience. Therefore, it is critical that additional legislation is enacted to provide grants, rather than loans alone, to child care providers, particularly in low-income areas.

In closing, NBCDI looks forward to working with the Senate Committee on Banking, Housing, and Urban Affairs to strengthen the Children's Development Commission Act so that it is able to improve the availability and quality of child care.

Thank you very much.

The CHAIRMAN. Thank you very much.

We next call upon Faith Wohl, President of Child Care Action Campaign, from New York.

**OPENING STATEMENT OF FAITH WOHL
PRESIDENT, CHILD CARE ACTION CAMPAIGN
NEW YORK, NEW YORK**

Ms. WOHL. Thank you, Mr. Chairman, Senator Reed, Congresswoman Maloney. I am Faith Wohl, President of Child Care Action Campaign, a national nonprofit advocacy organization based in New York City. Child Care Action Campaign works to strengthen families, to improve education, and to advance the well-being of children through our advocacy for quality, safe, and affordable child care. Thank you very much for inviting us to participate in this hearing.

I am pleased to speak today on behalf of S. 2178, the Children's Development Commission Act, which we believe would help to improve the quality and the availability of child care in the United States. Good quality child care and early education are strongly linked to school achievement and to the development of social skills that enable a child to grow into a happy, productive adult. Such child care has been used successfully to prepare at-risk children for a successful school performance. Good quality child care also improves both educational and social development for children from middle- and low-income families.

On the other hand, poor quality child care and early education can harm children. Their intellectual and social development can be stunted. In extreme cases, children have been harmed physically; some, as I'm sure you know, have even died. Saddest of all, care that is poor or mediocre in quality is far more common than

good quality care. A landmark study found that 80 percent of child care in centers across the country is rated poor to mediocre.

The quality of child care and early education affects not only children, but parents as well. When working parents are confident about their child care choices, they are more productive on the job. When child care is inadequate, parental stress mounts and work performance suffers. Child Care Action Campaign has estimated that American businesses lose more than \$3 billion annually in child care-related absences. Poor quality child care arrangements are more likely to fall apart, causing parents to miss work and even to lose their jobs.

While we know what constitutes good quality child care and early education, how to provide it, and what its benefits are, we also know, as you, Mr. Chairman, have acknowledged, that it costs far too much for most parents to afford. As you have noted, while parents pay on average \$4,100 per year for child care per family, good quality child care actually costs about \$8,000 per year per child to provide. In major cities, like New York City, it can cost as much as \$10,000. That's just for one child. While some parents struggle to find any kind of child care at all in their communities, those who do find good quality care most often discover they cannot afford it, and settle for care they can afford, which is often unlicensed and developmentally inappropriate.

Overall, about \$40 billion is spent annually on child care, the vast majority of it by parents, with the balance provided by government at all levels in the form of subsidies, and less than 1 percent paid by the private sector. Although parents find child care fees high, child care providers try to keep fees at a level that parents can afford, and earn salaries far below what their training should command. With salaries now averaging less than \$7 per hour, with few benefits, it's no wonder that staff turnover in child care tops 30 percent a year, with resulting damage to the attachments children form to caring adults. This huge staff turnover directly impairs the quality of care that children receive.

One result of chronically low wages is the inability of providers to secure the financing they need to start new child care facilities or to improve or upgrade those they already have. The Children's Development Commission Act would offer insurance security to the lenders who want to help providers build new facilities or upgrade existing ones to improve safety or to meet higher standards, even including facilities in which to train child care providers.

The result of the inability of providers to get financing is that there are today critical shortages of care, particularly for infants, for children in after-school hours, and for children who need care in what we call nontraditional hours—that is, hours beyond 9 a.m. to 5 p.m.

It is clear that the private sector doesn't want to take risks on child care providers. I think Ms. Luce's testimony was very eloquent in that respect. This bill you are considering would help stimulate the private sector into meeting the growing demand for child care. Since the supply of good quality care is one of the Nation's most pressing needs, especially since the implementation of welfare reform, helping providers open or upgrade facilities would be a great help to parents nationwide. In addition, the Act's inclu-

sion of books and curricular and program materials in its definition of "equipment" is very welcome news, since among the hallmarks of poor quality care are child care rooms that lack toys and other stimulating materials.

While this bill would be a positive step for Congress to take to help improve child care and early education in this country, a few improvements would make it even better. If the legislation could contain incentives for State governments to follow the Federal lead in establishing loan guarantees, that would increase the benefits. Funds to help the providers assisted by these guaranteed loans actually operate the centers they have built or improved would also go a long way toward making child care more affordable and would help to improve its quality.

The Children's Development Commission Act is not the large, comprehensive bill we need to improve child care and make it more affordable for America's working families. Ten million dollars in loan guarantees, as all of our other speakers have said, against an annual child care expenditure of \$40 billion seems very small, especially when many child development and early education experts say we actually need to spend \$80 to \$200 billion per year in order to provide good quality care to all American children.

American families need a bigger, more comprehensive approach to child care. They need a multifaceted approach that would help dedicated, professional child care providers earn a living wage and stay in their beloved profession. American families need a bill that would radically improve the quality of the early care and education our children desperately require if they are to compete in the global workplace of tomorrow. They need help so that all low-income children can receive the subsidies they need to enter good quality programs. Finally, working parents need a bill that would provide the leaves and workplace flexibility they now lack to spend time with their children and to help them succeed.

This bill is a step in the right direction, and I believe it could be a very important signal to America's working families that the U.S. Congress is aware of their need for quality child care. A poll sponsored by our organization and the Children's Defense Fund a few weeks ago demonstrated huge support by voters all across the country, especially voters in families with young children, for Federal action on child care. I believe we cannot fail to take a step forward when the possibility is presented, even if it is this very small step. Child Care Action Campaign hopes you will be able to make the necessary improvements in this bill, and move it forward. As Representative Maloney has said of her bill, "It's going to do a lot with a little." We urge the Senate to do a lot for America's youngest children.

If I could ask your indulgence for just a few more seconds, I would like to offer to back up the data in our poll, which we have submitted in our written testimony. We are pleased to present the Committee with this binder. The binder contains the personal stories of more than 2,000 American families, their difficult, often heart-wrenching struggles to find and pay for child care. These stories were gathered by Lifetime Television as part of their public service efforts in support of better child care.

We will leave it to your discretion which of these should become part of the record of this hearing. We urge you to look at and to see what your constituents say. For your convenience, the binder is divided with the stories organized by State.

Again, thank you very much for this opportunity.

The CHAIRMAN. Let me thank you for your thoughtful, carefully prepared testimony. It has been very powerful testimony that all of you have made. There is no doubt that this is a critical area.

Let me ask this of all of you. I understand your support of the legislation with some of the recommendations you have made, but I also gather from the testimony, and it has been recognized by the principal sponsor of this bill, by Representative Maloney, that this is only one small step.

What would you consider to be the most important thing that Congress could do in this area? If you were going to take one step, what would it be? Would it be increasing the tax allowances for low-income families so they can deduct all of their child care? What would it be?

I don't mean to be suggesting what I think it should be. I would much rather hear that from you. I will even broaden the question because picking just one thing is pretty tough. I'll give you two things.

What would you consider to be the two most important things that Congress could do in this area? If you were going to take two steps, what would they be?

We will begin with Ms. Wohl. What would you think?

Ms. WOHL. I think it's difficult, whether you allow us one or two choices, because the child care problem is comprehensive. I think the important thing to recognize is that it cuts across all sectors of American life. It's not a problem for the poor. It's a problem for the poor, the middle-class, and even the affluent because having money alone does not guarantee that you can find the available space you need, where you need it, when you need it, and of the type of program that you require.

This is truly a problem that cuts across all sectors of our society, which makes it difficult to select between very necessary things. It's like asking, are you going to feed one of your children or all of your children?

Clearly, we need first to assure that America's low-income children have the opportunity to have the money they need, that families have the money they need to pay for quality care. At present, only one out of 10 children who are eligible for subsidies receives those subsidies.

I think it would be very important for Congress to increase the Child Care Development Block Grant to allow the number of children covered by subsidies to increase significantly. It has been estimated that about \$20 billion over 5 years is needed. I definitely think that would be the first building block.

I think you would then also have to acknowledge the needs of middle-class families and the comprehensive array of tax credits that have been proposed, both tax credits for businesses to encourage and incentive them to provide child care for their own employees, and tax credits for families who have to deal with the exceptionally high cost of child care.

Of course, those are my two selections on top of our support for Representative Maloney's bill.

The CHAIRMAN. Thank you.

Ms. Wurf.

Ms. WURF. Faith's allusion to deciding which one of your many children you would feed captures my sense of the problem of making a selection.

This is an extremely complex problem. Our testimony today from various points of view indicates the array of issues involved—it's affordability, the quality of the people working in child care, which of course means training and the wage rate for those workers. It's a question of safe and supervised facilities. It's a question of having enough facilities.

I would have to say that the primary move I would like to see is to increase the funding of the Child Care Development Block Grant. I believe that's number one.

Number two is really that Congress do something, that Congress do something to indicate they are aware this is an urgent need felt by families.

I remember the anxiety I suffered in trying to be sure that my children were taken care of while I worked. I could afford to pay, and at that time there were no tax credits. The issue was simply to be able to find good care. That care depends upon adequate pay scales, recognition of this as a worthwhile employment opportunity, adequate training, and certification for child care workers.

For Congress to do something would at least recognize for the American people that the full scope of the problems of our country are not taken care of by welfare reform. Rather, you must add the child care piece to the puzzle.

I certainly would support taking action on even this modest bill, which does do some good.

The CHAIRMAN. Thank you very much.

Melinda Green.

Ms. GREEN. I would like to say that I agree with Faith's comment about the child care fund, that the Child Care Development Block Grant really needs to be expanded.

I spent a lot of years working as the director of a child care resource and referral agency, and often these are the agencies that administer these funds. The waiting lists were always twice as long as the people who were being served. I have had many conversations with tearful parents who just could not afford child care that was safe.

That leads me to my second point. When we hear statistics over and over again about 80 to 85 percent of our child care centers being mediocre to poor, that is a powerful statement about how we as Americans feel about the care of our children.

I think by passing this bill, which includes within it standards for any child, in any State, we would make a powerful statement, not only about community-building, the community development in each community, but also about the way we care about the health and safety of our children, that they will grow up having the experience of the first few years of their lives being in safe environments with nurturing caregivers who are providing the appropriate learning activities for them.

Those are the two selections I would make.

The CHAIRMAN. Thank you very much.

Representative Maloney.

Representative MALONEY. I have no further questions. I'm very grateful to you for your help in this endeavor.

The CHAIRMAN. Let me thank our witnesses, who speak from great strength and knowledge, having been in this area, having observed it, having worked in it. We are deeply appreciative, Faith, of your bringing forth the selection of real-life tragedies that are unfolding and are representative of what is taking place in much greater dimension than we would care to think.

The inability to place a precious life, one which is basically defenseless, a small child or a little baby, in a safe situation, has to be horrific to the parent or parents of that child. The question of whether the child is being taken care of while the single parent in particular is trying to work and support a family, robs everyone of the ability to conduct their business without this incredible fear.

That's only one small aspect, as you pointed out. There's also the lost opportunity in terms of enrichment and educational experience for that child and in terms of giving some type of comfort to the working parent or parents.

We are deeply appreciative of your taking your time to come in. We will continue to work even at this last minute with staff to see what, if anything, can be developed. Because I want to be candid, I don't want to build false hope on the altar of political expedience.

I hope you understand what I'm saying. I don't want to build false hope that, as we come to a close of this year, because of the pressures of elections, et cetera, we would be able, even myself as Chairman, to shepherd this through. I think there are also those who would be concerned with great policy questions, et cetera, as to what the role is.

Notwithstanding that it is a minimal investment—I think you all recognize that it's almost inconsequential for the scope of it—it's an important step we take. While the dollars may not be significant, and I don't think they are, I think the action of moving forward and attempting to accomplish something is.

I know that's where the Congresswoman is coming from, and because she is so desirous of seeing us undertake something, she has held this to a modest level. I commend her for her wisdom because this is a problem in terms of economics that goes into quite a bit more. That's why I wanted from you a sense of the larger picture.

I am deeply appreciative of your testimony and, again, let me commend you, Congresswoman Maloney, for your concerns.

I want to indicate for the record that Senator Moseley-Braun would like to insert a statement of her support for this initiative.

We stand in recess.

Representative MALONEY. Thank you.

Ms. WURF. Thank you.

Ms. GREEN. Thank you, Mr. Chairman.

Ms. WOHL. Thank you.

[Whereupon, at 12:27 p.m., Tuesday, October 6, 1998, the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR ALFONSE M. D'AMATO

The principal purpose of this hearing is to receive testimony with regard to the Children's Development Commission Act of 1998, S. 2178. This legislation was introduced by Senator Herb Kohl and myself on June 16, 1998. A companion measure, H.R. 3637, was introduced by Representative Carolyn B. Maloney and Representative Richard H. Baker on April 1, 1998.

This legislation addresses a serious problem facing American families today—the shortage of affordable quality child care. America is facing a shortage of quality child care which is approaching crisis levels. This shortage bears most heavily on working families, including young working single mothers. Every day, more than 5 million children under age 13 are left unattended after school.

The high cost of child care impacts directly on families, affecting their ability to pay the rent or the mortgage, to put food on the table, or to save for their children's education. The lack of decent, high-quality child care also impedes the development of critical learning skills these children will need in order to succeed later in life. Social and medical research continues to point to the importance of the first 3 years of development on a child's future well-being and ability to learn.

In New York, the average cost of day care is over \$6,000 per year—and many families end up paying nearly \$10,000 per year, depending on the number of children. Lack of affordable child care impacts not just families, but the economic health of the entire country. The amount U.S. employers lose due to child care-related absences is estimated at over \$3 billion.

Many families are unable to locate quality child care, as evidenced by the long waiting lists at existing centers. In New York City, approximately 28,000 families are on waiting lists for assistance under the Child Care Development Block Grant program. And these latest statistics do not yet reflect the effects of welfare reform. As more families make the difficult transition from welfare to work, waiting lists for affordable care and assistance will likely increase significantly. As a result of welfare reform, by the year 2002, there may be as many as 135,000 additional infants and toddlers in New York who will need affordable quality child care.

These high costs and the overall shortage of quality child care are found in all areas of my home State—cutting across urban and rural boundaries. The New York Human Services Administration estimates that more than two-thirds of children in the Morrisania section of the Bronx and more than 70 percent of children in the Brownsville section of Brooklyn are in need of better child care.

This shortage extends to rural areas of New York as well—for example, in Allegany, Hamilton, Washington, and Yates counties there are absolutely no registered programs for school-age children. This bill will employ a number of cost-effective strategies to increase the availability and affordability of child care throughout the Nation.

First, the legislation would help to reduce lender risk by creating a new insurance authority within the Department of Housing and Urban Development's Federal Housing Administration (FHA). This new FHA insurance program will provide loan guarantees for child care facilities and thereby spur the provision of private capital for the construction of new child care centers and the improvement of existing facilities. These loan guarantees will help to leverage up to \$2 billion in private mortgage credit for new and refurbished child care centers.

Second, the bill will provide reasonable low-cost "micro-loans" for the renovation and improvement of current child care facilities through a Commission, known as "Kiddie Mac." The Commission will certify that facilities receiving FHA insurance meet State and local standards, such as licensing and child safety requirements.

Today, we expect to hear from a number of distinguished Members and witnesses, including: Senator Herb Kohl from Wisconsin, Representative Richard Baker from Louisiana, and Representative Carolyn Maloney from my home State. In addition, we have with us Cheryl Luce, a prospective child care provider, who will testify on behalf of herself and Lifetime Television's Public Service Campaign, "Caring for Kids: Our Lifetime of Commitment."

Finally, we have a number of distinguished experts in the field of child care delivery and early childhood development: Faith Wohl, President of Child Care Action Campaign; Melinda Green, Director of the African-American Early Childhood Resource Center of the National Black Child Development Institute; and Mildred Wurf, Director of Public Policy for Girls Incorporated.

This bill is an important step in ensuring that child care facilities can gain access to much needed private market credit. The Children's Development Commission Act makes an investment in our children, an investment in our families, and an investment in our future. I look forward to working with my House and Senate colleagues for its enactment.

PREPARED STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Mr. Chairman, I would like to commend you for holding this hearing to focus attention on the child care needs of America's families.

The key to successful child care is that parents have choices about how to best care for their children. Increasing the availability of licensed out-of-home child care is one way to expand those choices. In order to do this, we must ensure that there are adequate resources for the construction and rehabilitation of child care facilities. A recent national study found that 40 percent of the rooms used to provide care for infants in child care centers are in such poor condition that they put the child's health, safety, or development at risk. Only 8 percent were rated as providing quality care for infants and toddlers.

As you may know, my top priority has been to commit Federal resources to help State and local governments rebuild and modernize our school infrastructure. Providing Federal assistance to rebuild our child care centers is another way to ensure a safe environment in which our children can learn and grow.

I would also like to share with you a letter from the Illinois Facilities Fund, a group with whom I work closely, regarding child care facility needs. They have been a leader in developing innovative initiatives to increase the physical space available for child care services.

Those of us concerned with the lack of child care choices for at-home and working parents must effectively target public and private resources to address the child care crisis. Only by working together can we ensure that parents have good child care options and children receive quality care.

PREPARED STATEMENT OF CAROLYN B. MALONEY

A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

OCTOBER 6, 1998

Mr. Chairman and Members of the Committee, first of all, I would like to thank my friend and colleague, Senator D'Amato, for giving us this opportunity to examine a bill which I believe will bring together two very diverse communities: the banking industry and moms and dads. My thanks also to Senator Herb Kohl and Representative Baker for their leadership on the "Children's Development Commission Act," or "Kiddie Mac," as I like to call it.

Investing in your children's future is more than just putting money in a 30-year bond—it's about being there for your child. But, as a mother of two, I know you can't always be at their sides, so it's important for your peace of mind as well as for their well-being to find competent, affordable child care. Kiddie Mac works to marry financial investment with "being there" for your child.

It's a modest proposal, financially. A \$10 million Federal investment would spur banks to invest millions more. The investment would meet a critical need on the part of parents and children across America.

New York State provides a good example. The Comptroller recently issued a report which concludes that by the year 2001, because of welfare-to-work programs, approximately 61,000 children will be in need of day care. Currently, there is room for 28,000. That leaves 33,000 children with no place to go.

Limited child care availability means parents are limited as to what jobs they can take. The lack of affordable child care severely curtails a parent's ability to take advantage of workfare. In January of this year, 3,000 mothers who are on welfare were excused from work requirements because child care was simply not available. *The New York Times* reported that the city lacks child care for 61 percent of the children whose parents are supposed to be in workfare. Mr. Chairman, without affordable child care the cycle of poverty and dependence is bound to continue.

There are many individual stories of people who are trying to help; people who have the expertise in child care, but lack the money and cannot get financial institutions to invest. We have heard one woman's story of her attempts to open a facility in Pennsylvania, and the difficulties she faced in doing so.

Let me explain how I hope Kiddie Mac will work to revolutionize child care in much the same way that Fannie Mae and Freddie Mac have revolutionized homeownership. They used the free market to make owning a home more accessible. That is exactly how Kiddie Mac will work to make quality affordable child care a reality.

This is how it will work. If a person wishes to open, build, or rehabilitate a child care facility, the individual would go to a bank to apply for a loan. Historically, banks have been reluctant to lend to child care providers for various reasons. Some cite the low cash flow, but I believe some reluctance lies in the banks' simple lack of experience in the child care industry.

Kiddie Mac sets up a process where the bank would then go through with an application and submit it to the Commission. The Commission would make certain that the loan met both financial and quality standards, with the facility attaining any local licensing. It would then authorize HUD to issue a guaranty to the bank for the loan, thereby reducing the risk to the bank, making it more willing to lend.

In Maryland, there is a similar program for child care loans with both a guarantee component and a direct loan program. Their day care financing program has been operating since 1985 and has provided over \$15 million in financing assistance to 195 facilities. Almost 10,000 child care slots have benefited from these programs. Most impressive, since its creation, NO claims have been made against the guarantee fund.

Kiddie Mac has a small-purpose loan component. It also will work to give child care providers greater access to affordable liability insurance, often a major barrier for those who want to build facilities.

Kiddie Mac isn't the whole solution, but it does address a major part of the supply problem in child care. It will also create a place in the Government which will focus on the issues and problems surrounding child care.

In *The Washington Post* Judy Mann wrote a column about Kiddie Mac. She described Kiddie Mac as an "imaginative and low-cost proposal" which could "expand the Nation's supply of child care." As Ms. Mann says at the end of her column, "Good child care is an investment in everyone's future."

PREPARED STATEMENT OF MILDRED KIEFER WURF

DIRECTOR OF PUBLIC POLICY, GIRLS INCORPORATED®, WASHINGTON, DC

ON BEHALF OF

GIRLS INCORPORATED® AND THE NATIONAL COLLABORATION FOR YOUTH

OCTOBER 6, 1998

Summary

When considering child care in the United States, attention must be paid to the vast needs of children ages 5-14, 5 million of whom are left with unstructured, unsupervised time in the out-of-school hours. The hours of 3 to 8 p.m. are peak times for juvenile crime and for children to feel threatened by violence, street gangs, easy access to drugs, and other dangers. These empty hours are also a wasted opportunity for children to participate in constructive, supervised activities that support emotional growth, that improve academic performance, build and maintain healthy bodies, and develop their capacity for responsible adulthood.

The problem is not in wondering what to do with this time; it is in making well-established programs available to kids in need. The supply of center-based child care does not increase to meet this demand because revenues earned in the marketplace are too small, costs for most families are too high, and the capital investment needed is often too great. S. 2178 can provide help with the latter.

A new national poll conducted for the Mott Foundation reveals 93 percent of all Americans support after-school programs, even to the point of 80 percent willing to have their taxes raised for this purpose.

Public schools should be fully utilized and the resources provided by community-based youth development organizations must be involved in the planning and in the delivery of services. Many such agencies now provide most of the out-of-school care available in this country and examples are provided in the testimony. The type of financial help for renovation and expansion of facilities offered by S. 2178 could be a first step to increasing availability of services. Much greater sums than proposed are needed, however.

The Federal Government has many important roles to play in meeting the crisis in the need for child care, including: encouraging partnerships between schools and community-based organizations; assuring availability of funding to local coalitions to provide diverse programs, for renovation of facilities, and for the screening and training of staff and volunteers; ensuring facilities consistently make appropriate space available and programs available during normal working hours whenever schools are closed; providing incentives to employers to increase access to quality and affordable school-age child care; funding for transportation; and establishing rewards and incentives for adherence to recognized standards such as those developed by the National School-Age Child Care Alliance and other accrediting bodies.

S. 2178 can be a first step toward the provision of adequate quality after-school child care. The need for this care is widely understood by the public, and the overwhelming majority of parents and non-parents alike support any efforts put forth to meet that need.

Introduction

Mr. Chairman and Members of the Committee, good afternoon and thank you for the opportunity to share our views on child care in this country, as you consider S. 2178, the "Children's Development Commission Act." My name is Mildred Kiefer Wurf and I am appearing here today on behalf of Girls Incorporated® and the National Collaboration for Youth.

Girls Incorporated is a national youth-serving organization dedicated to inspiring all girls to be strong, smart, and bold. Founded in 1945, Girls Incorporated serves 350,000 school-age children, most of whom are girls 6-18 years of age, at more than 1,000 program sites nationwide. Some know us by our former name, Girls Clubs of America. I serve as Director of Public Policy and am located in Washington, D.C. Our national headquarters is in New York, our National Resource Center is in Indianapolis, and our affiliates are located throughout the country.

The National Collaboration for Youth includes 27 of the Nation's leading youth development organizations, including Girls Incorporated, the YMCA of the USA, Campfire Boys and Girls, the YWCA, Boys and Girls Clubs, Big Brothers and Big Sisters, 4-H, Boy Scouts and Girl Scouts, and the American Red Cross. The members of the National Collaboration for Youth comprise the Nation's largest providers of programming for young people in the out-of-school hours. Collectively, the organizations serve 40 million young people every year, with 6 million volunteers and 100,000 full-time staff members. I chair the Washington Support Group of the Collaboration, that is, the public policy directors of the agencies.

Often, when the subject is about child care, we picture providing supervision and safety for infants and toddlers who could not manage on their own. Today, I want to focus on the needs of those who are a little older, those between the ages of 5 and 14, who need care and supervision and who are old enough to look for trouble when left alone.

The after-school hours can be some of the most dangerous times for school-age children in this country, and millions of children are on their own during much of that time. Consider these facts, in the United States:

- Twenty-five million children have parents who work outside the home.
- Each week, 5 million school-age children are left with unstructured, unsupervised time in the out-of-school hours.
- Children spend more of their out-of-school time watching television than any other single activity. The most cursory look at today's programming reveals considerable emphasis on violence, sexuality, and impulsive behavior.

Many adults remember their out-of-school hours as time to play with friends, to explore the neighborhood, or to ride bikes. Then, as young people, they entertained themselves, secure in the knowledge that a neighbor or relative was nearby. They remember feeling safe. Today, school-age children say they do not feel safe in their neighborhoods or even in their homes. Gangs, street violence, easy access to drugs, and other dangers threaten their health and safety.

The after-school hours are also "prime time for unsupervised children to experiment with drugs, alcohol, sexual activity, vandalism, or truancy." The FBI reports that juvenile crime peaks during the hours of 3 and 8 p.m.

Researchers have found that school-age children who are engaged in organized programs during these non-school hours are less likely to drop out of school, smoke cigarettes, use other drugs, or become a teenage parent. Common sense tells us that these children are also safer when trained and caring adults are close by and responsible for children's safety.

The empty hours they have each day also represent a wasted opportunity, so well described in the Carnegie Council on Adolescent Development's report, *"A Matter of Time."*

Like the Carnegie Council, the National Collaboration for Youth and Girls Incorporated recognize the rich opportunity that out-of-school hours provide for school-age children to participate in constructive supervised activities. These activities can introduce youth to new interests, support emotional growth, improve their academic performance, build and maintain healthy bodies, and develop healthy relationships with their peers and caring adults. Children can build their capacity for responsible and successful adulthood. The out-of-school hours can give children, especially those who may not excel in the formal classroom, another opportunity to grow. However, the major message of *"A Matter of Time"* is that there are not enough opportunities available for all children. Millions of school-age children are on their own when not in school. Someone once described this as "Zoo children in the room, with a million peering through the window."

The lack of affordable, organized, school-age programs during non-school hours presents a problem that cuts across economic, racial, and regional lines. Basic child

care can cost \$4,000 to \$10,000 a year. Many parents face great difficulty finding child care options they can afford and feel good about leaving their children in. But the supply of center-based child care does not increase to meet the demand because the revenues earned by providers are too little and the capital investment needed is often too great. S. 2178 begins to address this aspect of the problem.

"The need and demand for high-quality after-school programs is tremendous," said the U.S. Secretary of Education, Richard W. Riley. "From every State in the Nation, from large cities to small rural areas, parents, teachers, and children say they need before- and after-school programs to help keep young people in safe places, out of trouble, and engaged in positive learning experiences."

The results of a new national poll sponsored by the Mott Foundation were released just 2 weeks ago. The poll found strong support for after-school programs across party lines and among parents and non-parents alike. Ninety-three percent of all respondents said they favor making safe, daily enrichment programs available to all children. The crucial finding was that Americans overwhelmingly endorse the expansion of after-school programs, including 80 percent who said they would be willing to raise their taxes to offer programs to children.

National efforts to increase the supply of school-age child care should emphasize the expansion of the existing out-of-school programs that have been shown effective.

As detailed in *"A Matter of Time,"* there is a rich variety of existing youth development programs that increase academic readiness, decrease delinquent behavior, and increase individual responsibility. The same findings are reported in studies by The Eisenhower Foundation, Public-Private Ventures, The Kauffman Foundation, and many others. Again, the difficulty is that such programs are not available to all young people who need and want them. While S. 2178 does not directly address this larger question of the need for a vast increase of availability, it does offer targeted help that can be seen as an opening legislative wedge to solving the problem of an inadequate supply of services—the nose of the camel in the tent, if you will.

The public school system should be fully utilized, but simply having schools stay open past 3 p.m. on school days is not a quick fix. Children need programs in the non-school hours that offer a safe, inclusive, predictable, and informal environment. That environment should respect and encourage the power of play and interpersonal relationships. Programs must be available on days the school is closed, including summers, winter vacations, parent-teacher days, and other times when school is not in session.

School buildings offer substantial potential for providing this environment, but these facilities also present many challenges. For example, the typical school insurance policy may not cover any programs and activities during the non-school hours, which means requiring an additional insurance policy. At a time when many schools face cutting academic classes due to budgetary concerns, schools may be reluctant to open their doors for extended hours. Doing so means paying the custodian time-and-a-half to care for the building or hiring additional security for the safety of participants and school grounds; it means additional heating and lighting. Some school buildings are not air-conditioned because they have never been open during the summer months.

Private, community-based organizations must play an integral role in planning for and providing services and supervised, out-of school programming to school-age children. They should be recognized, supported, and tapped as a resource as the Nation struggles with child care issues.

Trained caregivers or program coordinators offer age-appropriate and enriching activities that acknowledge a child's unique personality and interests. Youth development agencies offer experience and expertise in training youth workers, providing quality programs, and working with school-age children. Agencies typically have established relationships with community leadership and funding agencies through their volunteers, board members, and funding base. In addition, many community-based organizations have facilities appropriate for out-of-school care, which can offer the feature of choice to families seeking services. Private, community-based organizations are valuable community resources and must be included in the community-wide planning and delivery of services to school-age children.

A few real-life examples of services provided by nonprofit youth agencies include **Girls Incorporated of Shelbyville** (Indiana), which offers a full-time summer program and weekday after-school programs for girls until 8:30 p.m. Each day, 130 girls ride the schoolbus to Girls Inc. to participate in supervised activities that help them develop new skills and interests. During school holidays, summer vacation, and parent-teacher conference days, Girls Inc. opens its doors at 7 a.m. Working parents in Shelbyville count on Girls Inc. to help fill the gaps between the non-school hours and their work schedules.

Funds from the Child Care Development Block Grant (CCDBG) support these Girls Incorporated programs. Executive Director Barbara Anderson worries about their ability to continue offering child care services. Local councils control the distribution of CCDBG funds. Without a specific set-aside for school-age care and for community-based organizations, many councils designate the money predominantly for early childhood care or in-home babysitters. She sees Indiana moving in that direction, threatening a major source of funding for their school-age programs that offer services needed in the community.

Parents of school-age children in Birmingham, Alabama, send their children to public, private, or parochial schools—and each school has a different academic calendar. Girls Incorporated of Central Alabama partners with parents to keep their school-age youth out of unsafe neighborhoods and away from the dangers of unstructured, unsupervised time by offering quality, fun programs.

When a few schools in Birmingham adopted a "continuous calendar" working parents became worried—how will they ensure their school-age children are safe, supervised, and happy during the new 2-week breaks in October, December, and April? Girls Inc. responded quickly by opening their doors for expanded hours during these breaks and offering age-appropriate, fun, and enriching activities for the children. However, opening the center for extra hours means extra costs. Girls Inc. of Central Alabama consistently has a waiting list roughly equivalent to 10 percent of their enrollment. During the summer months, they must turn away parents and girls in droves due to space and staff limitations. Executive Director Ellen Rae Smith Grady notes that many local funders are eager to fund programs and activities, but not "keeping the lights on" and other operational costs.

Based in Syracuse, New York, the Camp Fire Boys and Girls Council serves low-income children in the city itself and surrounding rural areas. As part of a diversified youth development program, they provide all-day child care at their Camp Fire camp during the school breaks in February and April as well as all summer. Called "Child Care at Camp," this program provides rare opportunities for these youngsters to learn about nature and experience the fun of canoeing, swimming, hiking, and other outdoor activities. It is collaborative in nature. For example, the Council secures bus transportation for rural children to go to "Child Care at Camp" from the Onondaga County Opportunities program, which functions with State and Federal money. The program cannot serve all children who apply, but in order to expand, the camp site needs additional restroom facilities. The Director would welcome the kind of low-income loan which would be provided through Kiddie Mac.

Responding to community requests, the YWCA of Kansas City began offering programs at three schools during the non-school hours.

The YWCA offers structured and fun activities until 7 p.m. every evening. The children who attend come from low-income homes. If the YWCA charged more for their services or stopped offering their programs, these children would be home alone or out on the streets.

They moved their programs to schools to circumvent transportation obstacles that prevented some youth from participating in their programs. The move, however, brought with it many challenges. The YWCA and the schools must constantly find the funds to pay for the additional maintenance, janitorial, and security costs associated with keeping the school open extended hours. Government and foundations fund their programs and volunteers serve as staff, but the YWCA must look to the school to cover some of the additional facility costs.

The Virtual YMCA is a cooperative venture among the YMCA of Greater New York, the New York City Board of Education, and the United Way. This unique program, now in 67 elementary schools throughout the city's five boroughs, operates 5 days a week from 3 to 6 p.m. throughout the school year. The long-term plan is to bring the program to 200 of the most underserved schools.

Each program site follows a standard curriculum, developed by the staff of the YMCA, that focuses on improving the literacy skills of second, third, and fourth grade students. In addition, the curriculum includes recreational activities as well as activities related to values.

Funding for salaries and supplies for each site comes through sponsorships provided by businesses and individuals in New York City. The administrative portion of the program is funded by foundations and government. The New York City Board of Education covers the cost of operating fees for each site as well as the cost of building security.

These are a few examples that show how community-based organizations are essential resources for school-age children, their parents, and the community and how they often depend on government funds for part of the costs of operating child care services. Further, in every case, more children could be served if more funds were

available. In many cases, the money proposed by Kiddie Mac would greatly assist an expansion of service.

I think you can begin to see some of the issues communities face in providing school-age child care. The setting for out-of-school programs could be a school, a community center, or the facility of a community-based organization. Regardless of where it is, working parents need to know that their child is safe, well supervised, and engaged in stimulating activities that they can afford.

The Federal Government should play a significant role in addressing the problem of child care by helping to insure that school-age children have accessible, affordable, high-quality care during the non-school hours.

Child care legislation should:

- Encourage meaningful partnerships between schools and community-based organizations in order to provide a wide range of activities in non-school hours, enabling young people to meet their basic physical and social needs by building individual assets and competencies they need to participate successfully in adolescence and adulthood;
- Assure that funding for school-age care programs is accessible to coalitions of youth-serving entities and organizations at the local level so that programs can meet the diverse needs of families in each respective community and respect parental choice;
- Stipulate those facilities that house school-age programs should make consistently available appropriate spaces for such programs;
- Provide funding opportunities to renovate any existing facilities as necessary to ensure appropriate after-school care use;
- Help assure that school-age child care programs are designed around the normal working hours of parents and are available during the summer and other periods when schools are closed. Incentives to schools to open their facilities to community-based organizations during the non-school times, including summer, is one way to accomplish this;
- Provide incentives to private employers, including private, not-for-profit employers, to increase their employees' access to quality and affordable school-age child care, perhaps by offering subsidies to parents or community-based organizations;
- Include funds for transportation, perhaps by giving incentives to schools to use their buses to provide services. Access to transportation should be given special emphasis in low-income communities and in rural areas;
- Provide funding in order for after-school programs to screen and train staff and volunteers;
- Establish rewards and incentives for adherence to recognized standards of quality, such as those developed by the National School-Age Child Care Alliance and other accrediting bodies.

Finally, there is a great need for "glue" money to establish communitywide systems, linking new and existing programs together to provide choice and support for families, rather than continuing to operate programs in isolation with parents left on their own to sort out the loose strands.

Conclusion

S. 2178, the Children's Development Commission Act, is one piece of legislation that can contribute to finding new ways to meet the enormous need for child care. Establishing a commission to serve as a catalyst for private-sector construction and development lending can improve the number and quality of child care facilities nationwide. It is essential that these funds be available to community-based organizations as well as to public agencies and that funds be available in an amount that meets the need, a far greater sum than is proposed. We believe that S. 2178 is a valuable idea to get the ball rolling.

We would be pleased to work with you as you develop legislation to expand child care by addressing the financial issues inherent in this expansion, such as incentives, subsidies, and direct loans for renovation, construction, and certification fees. Such financial assistance can overcome many of the obstacles to providing sufficient child care to meet the needs of our country's families, a need recognized by 90 percent of America's population. We are encouraged by the innovative first step represented in S. 2178.

American parents need expanded opportunities for school-age child care during the out-of-school hours. Community-based organizations stand ready to offer their expertise, training, programs, and resources to provide opportunities for young people during the out-of-school hours.

PREPARED STATEMENT OF MELINDA GREEN

DIRECTOR, AFRICAN-AMERICAN EARLY CHILDHOOD RESOURCE CENTER
NATIONAL BLACK CHILD DEVELOPMENT INSTITUTE, WASHINGTON, DC

OCTOBER 6, 1998

Summary

THE CHILDREN'S DEVELOPMENT COMMISSION ACT'S (S. 2178) ROLE IN INCREASING THE AVAILABILITY OF HIGH-QUALITY CHILD CARE

The National Black Child Development Institute (NBCDI) strongly supports the objective of the Children's Development Commission Act (S. 2178) to increase the availability of quality child care. This is a critical need given: (1) the developmental needs of young children; and (2) the demand for child care among working parents, exacerbated by the work requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193).

S. 2178 would expand the availability of quality child care by making loans more readily available to child care providers for the construction, expansion, and improvement of child care and development facilities. In addition, the legislation offers reasonably priced liability insurance to child care providers to prevent the cost of insurance from becoming a barrier to starting a child care facility. NBCDI is pleased that the legislation provides mechanisms for improving the quality of child care. These mechanisms include: (1) the establishment of Federal standards and requirements by the Department of Housing and Urban Development regarding child care and development facilities, designed to ensure that mortgage insurance is provided only for safe, clean, and healthy facilities that provide appropriate care and development services for children; (2) the requirement that the Children's Development Commission must certify that child care facilities are in compliance, or will be in compliance within 12 months, with local, State, and Federal child care standards as a condition for HUD to insure mortgages; (3) the provision of small-purpose loans to help child care facilities improve the quality of their care; and (4) the establishment of a foundation to support research relating to child care and development facilities, to fund pilot programs to test innovative methods for improving child care, and to engage in public education activities and publish materials to guide those interested in mortgage insurance and other assistance provided by the Commission. These provisions begin to respond to the pressing need to improve the quality of child care.

The quality and safety of child care varies extensively between States (*Working Mother*, 1997). Research indicates that "States ... with more demanding licensing standards have fewer poor-quality centers; centers that comply with additional standards beyond those required for basic licensing (such as those required for funding or accreditation) provide higher quality services" (Helburn, et al., 1995). Therefore, NBCDI supports the provision of S. 2178 (Section 3 (d)(1) and (d)(2)) which establishes that no mortgages may be insured by HUD unless the Children's Development Commission certifies that the child care facility is in compliance or will be in compliance within 12 months with: (1) State and local licensing and registration requirements; and (2) standards and requirements regarding child care and development facilities established by the Secretary of Housing and Urban Development that are designed to ensure that mortgage insurance is provided only for safe, clean, and healthy facilities that provide appropriate care and development services for children. The authorization of the establishment of "standards and requirements regarding child care and development facilities" in Section 5(c)(2), offers a precious opportunity to ensure that facilities receiving loans through this legislation offer high-quality child care, regardless of their individual States' licensing and registration requirements.

RECOMMENDATIONS FOR IMPROVEMENT TO S. 2178

I. Model Federal Child Care Standards After National Accreditation Systems to Ensure that Participating Child Care and Development Facilities Provide High-Quality Child Care

NBCDI recommends that the Secretary of Housing and Urban Development adopt the accreditation system of the National Association for the Education of Young Children (NAEYC). This is a professionally-sponsored national, voluntary system that represents the consensus of the early childhood profession regarding the definition of a high-quality program for young children. In addition, NBCDI recommends that the Secretary of Housing and Urban Development also establish standards regarding family day care that reflect a national, voluntary accreditation system such

as the one being developed by the National Association for Family Child Care and the National Family Child Care Accreditation Project at Wheelock College.

II. *Expand Function and Requirements Regarding Small-Purpose Loans*

NBCDI recommends amending Section 5(c)(3) of S. 2178 in order to expand the function of small-purpose loans to include helping facilities comply with State licensing and registration standards and Federal standards that meet NAEYC's accreditation requirements. Additionally, this subsection should be amended to state that loans shall be made only for such facilities that will comply with these standards of quality no later than 12 months after certification of compliance by the Children's Development Commission. These changes, combined with the current language of the subsection, will ensure that small-purpose loans will function to improve the quality of child care.

NBCDI is pleased that the House Banking Committee is discussing increasing the length of maturity of the small-purpose loans from 7 years to 15 years in the House version of the Children's Development Commission Act. This is an improvement we strongly recommend for S. 2178. Extending the maturity of the loan will make it more affordable for child care providers.

III. *Provide Technical Assistance to Child Care and Development Facilities*

NBCDI is very pleased by the technical assistance provisions being discussed by the House Banking Committee; but we have some additional recommendations for strengthening them for the purposes of this legislation.

Equally important as providing loans to child care facilities is providing technical assistance to help providers: (1) qualify for loans; and (2) use the loans to effectively manage child care and development facilities and increase the quality of child care. Child care providers typically know more about caring for children than financial management, fund-raising, or facility construction and renovation (Mitchell, Stoney, Dichter, 1997). NBCDI recommends that a mechanism is provided in S. 2178 for the provision of technical assistance to child care providers seeking loans. This technical assistance should be provided by stakeholders in the community in which the child care facility is or will be located, and who have expertise in early childhood education and the fiscal and legal aspects of child care.

The value of technical assistance lies in its ability to: (1) strengthen child care facilities financially through the development of a sound business plan; and (2) improve the quality of child care through staff development and training.

There are five phases of technical assistance provided by the Child Care Collaboration, an ongoing New Jersey project that provides technical assistance and low-interest loans through a revolving loan fund to child care centers, that NBCDI recommends using as a guide for the development of technical assistance provisions in S. 2178: (1) selection of child care and development facilities; (2) diagnosis and evaluation of child care and development facilities; (3) staff development and training; (4) ongoing technical assistance; and (5) evaluation of outcomes. A description of each phase is included in the body of the testimony.

Child care facilities in general, particularly the nonprofit programs in low-income neighborhoods, have difficulty securing loans. There are several reasons why. First, many facilities are operating in space occupied at reduced rent, thereby allowing them to charge reduced fees to parents. Incurring debt means they would have to raise fees or receive increased reimbursement rates from the Government. Second, child care programs often do not have the equity needed to secure a loan. Third, often child care providers know more about teaching children than they do about managing a loan (Mitchell, Stoney, Dichter, 1997). Therefore, it is critical that additional legislation is enacted to provide grants, rather than loans, to child care providers, particularly in low-income communities.

Introduction

I am Melinda Green, Director of the National Black Child Development Institute's (NBCDI) African-American Early Childhood Resource Center. I am pleased to provide testimony on the Children's Development Commission Act (S. 2178) on behalf of the National Black Child Development Institute. For the past 27 years, NBCDI and our nationwide affiliate network have worked to improve and protect the lives of African-American children and families by focusing on the areas of early child care and education, health, and child welfare. NBCDI and our affiliates provide our constituents with direct services, public education programs, leadership training, and research.

The Children's Development Commission Act's (S. 2178) Role in Increasing the Availability of High-Quality Child Care

NBCDI strongly supports the objective of the Children's Development Commission Act (S. 2178) to increase the availability of quality child care. This is a critical need given: (1) the developmental needs of young children; and (2) the demand for child care among working parents, exacerbated by the work requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193). In 1994, the most recent year for which Census Bureau data are available, more than half of children under age 5 (10.3 million) were in need of child care while their mothers worked (Casper, Lynn, 1994). The labor force participation rate of women with children under 6 increased from 39 percent in 1975 to 65 percent in March 1998 (U.S. Dept. of Labor). Parents need access to affordable, high-quality child care to stay in the workforce.

S. 2178 would expand the availability of quality child care by making loans more readily available to child care providers for the construction, expansion and improvement of child care and development facilities. In addition, the legislation offers reasonably priced liability insurance to child care providers to prevent the cost of insurance from becoming a barrier to starting a child care facility. NBCDI is pleased that the legislation provides mechanisms for improving the quality of child care. These mechanisms include: (1) the establishment of Federal standards and requirements by the Department of Housing and Urban Development regarding child care and development facilities, designed to ensure that mortgage insurance is provided only for safe, clean, and healthy facilities that provide appropriate care and development services for children; (2) the requirement that the Children's Development Commission must certify that child care facilities are in compliance, or will be in compliance within 12 months, with local, State, and Federal child care standards as a condition for HUD to insure mortgages; (3) the provision of small-purpose loans to help child care facilities improve the quality of their care; and (4) the establishment of a foundation to support research relating to child care and development facilities, to fund pilot programs to test innovative methods for improving child care, and to engage in public education activities and publish materials to guide those interested in mortgage insurance and other assistance provided by the Commission. These provisions begin to respond to the pressing need to improve the quality of child care.

The Need to Expand the Availability of High-Quality Child Care

Eighty-seven percent of the centers studied in a 1995 national study, *Cost, Quality and Child Outcomes in Child Care Centers*, provided mediocre- or poor-quality services. Seven in 10 centers provided mediocre care which may compromise children's ability to enter school ready to learn. Forty percent of the infant and toddler rooms studied endangered children's health and safety (Helburn, et al., 1995). Lack of quality of child care provided in the homes of providers has also been documented (Galinsky, et al., 1994).

This is particularly troubling within the context of brain development research that confirms the first 3 years of life are critical to the healthy development of children. Lack of a stimulating environment during these early years can have a long-lasting impact on children's development (Carnegie Task Force on Meeting the Needs of Young Children, 1994). On the other hand, research indicates that higher quality child care for children ages 0 to 3 is consistently related to high levels of cognitive and language development (NICHD Early Child Care Research Network, 1997; Child Care Bureau, 1998). This points to the need to ensure that every child has access to high-quality child care.

The quality and safety of child care varies extensively between States (*Working Mother*, 1997). Research indicates that "States ... with more demanding licensing standards have fewer poor-quality centers; centers that comply with additional standards beyond those required for basic licensing (such as those required for funding or accreditation) provide higher quality services" (Helburn, et al., 1995). Therefore, NBCDI supports the provision of S. 2178 (Section 3 (d)(1) and (d)(2)) which establishes that no mortgages may be insured by HUD unless the Children's Development Commission certifies that the child care facility is in compliance or will be in compliance within 12 months with: (1) State and local licensing and registration requirements; and (2) standards and requirements regarding child care and development facilities established by the Secretary of Housing and Urban Development that are designed to ensure that mortgage insurance is provided only for safe, clean, and healthy facilities that provide appropriate care and development services for children. The authorization of the establishment of "standards and requirements regarding child care and development facilities" in Section 5(c)(2), offers a precious opportunity to ensure that facilities receiving loans through this legislation offer

high-quality child care, regardless of their individual States' licensing and registration requirements.

Recommendations for Improvement to S. 2178

I. MODEL FEDERAL CHILD CARE STANDARDS AFTER NATIONAL ACCREDITATION SYSTEMS TO ENSURE THAT PARTICIPATING CHILD CARE AND DEVELOPMENT FACILITIES PROVIDE HIGH-QUALITY CHILD CARE

NBCDI recommends that the Secretary of Housing and Urban Development adopt the accreditation system of the National Association for the Education of Young Children (NAEYC). This is a professionally-sponsored national, voluntary system that represents the consensus of the early childhood profession regarding the definition of a high-quality program for young children. In addition, NBCDI recommends that the Secretary of Housing and Urban Development also establish standards regarding family day care that reflect a national, voluntary accreditation system such as the one being developed by the National Association for Family Child Care and the National Family Child Care Accreditation Project at Wheelock College.

II. EXPAND FUNCTION AND REQUIREMENTS REGARDING SMALL-PURPOSE LOANS

NBCDI recommends amending Section 5(c)(3) of S. 2178 in order to expand the function of small-purpose loans to include helping facilities comply with State licensing and registration standards and Federal standards that meet NAEYC's accreditation requirements. Additionally, this subsection should be amended to state that loans shall be made only for such facilities that will comply with these standards of quality no later than 12 months after certification of compliance by the Children's Development Commission. These changes, combined with the current language of the subsection, will ensure that small-purpose loans will function to improve the quality of child care.

NBCDI is pleased that the House Banking Committee is discussing increasing the length of maturity of the small-purpose loans from 7 years to 15 years in the House version of the Children's Development Commission Act. This is an improvement we strongly recommend for S. 2178. Extending the maturity of the loan will make it more affordable for child care providers.

III. PROVIDE TECHNICAL ASSISTANCE TO CHILD CARE AND DEVELOPMENT FACILITIES

The importance of providing technical assistance as an integral part of child care financing has been supported by my own experience in the child care field, as well as by research based on financing strategies for child care facilities.

NBCDI is very pleased by the technical assistance provisions being discussed by the House Banking Committee; but we have some additional recommendations for strengthening them for the purposes of this legislation.

Equally important as providing loans to child care facilities is providing technical assistance to help providers: (1) qualify for loans; and (2) use the loans to effectively manage child care and development facilities and increase the quality of child care. Child care providers typically know more about caring for children than financial management, fund-raising, or facility construction and renovation (Mitchell, Stoney, Dichter, 1997). NBCDI recommends that a mechanism is provided in S. 2178 for the provision of technical assistance to child care providers seeking loans. This technical assistance should be provided by stakeholders in the community in which the child care facility is or will be located, and who have expertise in early childhood education and the fiscal and legal aspects of child care.

As the former Executive Director of Child Care Connection, Inc., a child care resource and referral agency in New Jersey, I led the organization in a collaboration with other organizations to expand the total number of child care slots serving low-income families and to strengthen the management capability of existing centers. The collaboration, called the Child Care Collaboration or Building Stronger Centers, is an ongoing project that provides both technical assistance and low-interest loans through a revolving loan fund to child care centers. The Child Care Collaboration has served 16 centers in New Jersey and receives public and private funds.

The current focus of the Child Care Collaboration is on child care centers. Because of their larger and more formal structure, centers have historically served as a major provider of high-quality child care for low-income families. The Child Care Collaboration plans to expand to serve family day care (care provided in the home of providers for small groups of children) in the future.

Centers served by this collaboration receive technical assistance prior to the disbursement of loans to promote effective use of the loans. NBCDI strongly recommends that this technical assistance model be adopted by S. 2178. The value of technical assistance lies in its ability to: (1) strengthen child care

facilities financially through the development of a sound business plan; and (2) improve the quality of child care through staff development and training. It is important to note that although the Child Care Collaboration focuses on centers serving primarily low-income populations, NBCDI recommends adopting this technical assistance model for centers and family day care serving moderate-income families as well.

There are five phases of technical assistance provided by the Child Care Collaboration that NBCDI recommends using as a guide for the development of technical assistance provisions in S. 2178: (1) selection of child care and development facilities; (2) diagnosis and evaluation of child care and development facilities; (3) staff development and training; (4) ongoing technical assistance; and (5) evaluation of outcomes. A description of each phase follows.

Selection of Child Care Centers

The selection criteria used by the Child Care Collaboration, which could be applied to S. 2178, include threshold and weighting criteria. Threshold criteria have to be met in order for an applicant center to be eligible and include: low-income population served, ability to demonstrate near term potential to expand, capacity to carry out expansion, identification of need, commitment to participate, and qualifications of director of child care center. Weighting criteria indicate additional considerations for final selection for the project. They include: financial condition, program philosophy, marketing strategy, track record, community-basedness, future operating strategy, and strategy to link parents to jobs (applicable to community development agencies). In making the final selections, consideration was also given to achieving a mix of child care centers served to include urban, suburban, and rural centers.

Diagnosis and Evaluation

Diagnosis and evaluation of the facilities is needed to determine the needs, the strengths, and the weaknesses of each center in order to develop viable financing and quality-enhancement strategies. The Child Care Collaboration uses this information to help fashion the training and followup technical assistance work.

Staff Development and Training

Staff education is intimately tied to quality of child care (Helburn et al., 1995). Yet, only one-quarter of centers included in a recent study by the Center for the Child Care Workforce required a bachelor's degree for teachers and only 19 percent required any college course work for assistants. Further, there is some indication that the average educational background of child care teaching staff may be decreasing (Whitebook, Howes, Phillips, 1998). This points to the need to include staff development and training within the technical assistance structure that leads to a credential or degree such as a Child Development Associate or baccalaureate.

Ongoing Technical Assistance

As child care facilities prepare to expand and to improve the quality of their care, they will need ongoing technical assistance to meet their individual needs. Sustained technical assistance is needed to support positive outcomes for centers.

Outcome Measures

NBCDI recommends that outcomes relating to participating child care facilities are assessed to determine: (1) whether the quality of child care is being improved; (2) whether the financial health of the facilities is being improved; and (3) whether the populations are being served. This will help guide the development of future policies regarding child care financing strategies. The Child Care Collaboration uses the following outcome measures.

Short-Term: Based upon participation in the year-long initiative, each center should come away with:

- A complete business plan (including a marketing, financing, and operational strategy) to position it to thrive and increase its low-income population base;
- A plan for expansion of an existing center or development of a new center that will increase the number of quality, low-income slots, including a plan for obtaining financing or secured financing; and
- A facilities assessment, and a plan to improve and expand facilities as needed to improve efficiency and implement expanded service to low-income children.

In addition, the Child Care Collaboration aggregates summary data to: (1) illustrate how the participating centers are surviving and growing in a welfare reform environment; and (2) develop a plan for advocacy of specific needs at the State and/or Federal level.

Long-Term: Over the long-term, there are several outcome measurements that the collaboration tracks:

- Improvement in quality (developmentally appropriate curriculum, etc.) of care;
- Creation of better jobs for child care providers (training, pay, benefits, hours, opportunities for advancement);
- Service of additional children (total);
- Service of additional children (low-income);
- Survival of centers serving low-income children;
- Improvement of financial health of centers;
- Improvement of physical facilities of centers; and
- Development of more reliable and rational income streams to support future operations.

Conclusion

S. 2178 takes an important step toward increasing the Federal Government and private-sector roles in child care financing. However, NBCDI maintains that our recommendations delineated in this testimony are critical to ensuring that the Children's Development Commission Act promotes the healthy development of children. Equally important as increasing the supply of child care, is improving the quality of care.

Child care facilities in general, particularly the nonprofit programs in low-income neighborhoods, have difficulty securing loans. First, many facilities are operating in space occupied at reduced rent, thereby allowing them to charge reduced fees to parents. Incurring debt means they would have to raise fees or receive increased reimbursement rates from the Government. Second, child care programs often do not have the equity needed to secure a loan (Mitchell, Stoney, Dichter, 1997). Therefore, it is critical that additional legislation is enacted to provide grants, rather than loans, to child care providers, particularly in low-income communities.

In closing, the National Black Child Development Institute is looking forward to working with the Senate Committee on Banking, Housing, and Urban Affairs to strengthen the Children's Development Commission Act (S. 2178) so that it is able to improve the availability and quality of child care.

PREPARED STATEMENT OF FAITH WOHL

PRESIDENT, CHILD CARE ACTION CAMPAIGN, NEW YORK, NEW YORK

OCTOBER 6, 1998

My name is Faith Wohl, and I am President of Child Care Action Campaign, a national nonprofit advocacy organization based in New York City. Child Care Action Campaign works to strengthen families, improve education, and advance the well-being of children with good quality, safe, affordable child care.

I am pleased to speak today on behalf of S. 2178, the Children's Development Commission Act, which we believe would help improve the quality of child care in the United States. Good quality child care and early education are strongly linked to school achievement and the development of social skills that enable a child to grow into a happy, productive adult. Such child care has been used successfully to prepare at-risk children for successful school performance. Good quality child care also improves educational and social development for children from middle- and low-income families (Berrueta-Clement, Schweinhart, Barnett, Epstein, and Weikart, 1984; Burchinal, Lee, and Ramey, 1989; Campbell and Ramey, 1994; Carnegie Corporation of New York, 1994; Doherty, 1991; Hayes, Palmer, and Weikart, 1980; Lazar, Darlington, Murray, Royce, and Snipper, 1982; Schweinhart and Weikart, 1980).

On the other hand, poor quality child care and early education can harm children. Their intellectual and social development can be stunted. In extreme cases, children have been harmed physically; some have even died. Saddest of all, care that is poor or mediocre in quality is far more common than good quality care. The landmark Cost, Quality and Child Outcomes study found that 80 percent of child care in centers is poor to mediocre (Helburn, Culkin, Howes, Bryant, Clifford, Cryer, Peisner-Feinberg, Kagan, et al., *Cost, Quality and Child Outcomes in Child Care Centers*, 1995). The Carnegie Corporation's Starting Points Task Force, citing new scientific research on brain development in the first 3 years of life, found that "an adverse environment can compromise a young child's brain function and overall development, placing him or her at greater risk of developing a variety of cognitive, behavioral, and physical difficulties. In some cases these effects may be irreversible. But

the opportunities are equally dramatic: A good start in life can do more to promote learning and prevent damage than we ever imagined" (Carnegie Corporation, *Starting Points*, abridged, p. 4, 1994).

The quality of child care and early education affects parents as well. When working parents are confident about their child care choices, they are more productive on the job. When care is inadequate, parental stress mounts and work performance suffers. Child Care Action Campaign has estimated that American businesses lose more than \$3 billion annually in child care-related absences (Child Care Action Campaign, *Child Care: The Bottom Line*, 1988). Poor quality child care arrangements are more likely to fall apart, causing parents to miss work and even to lose their jobs (Galinsky, et al., *The Changing Workforce*, 1993; Fernandez, *Child Care and Corporate Productivity*, 1986).

While we know what constitutes good quality child care and early education, how to provide it, and what its benefits are, we also know that it costs far too much for most parents to afford. While parents pay on average \$4,100 per year for child care per family, good quality child care costs about \$8,000 per year per child to provide (Casper, "What Does it Cost to Mind Our Preschoolers?" U.S. Census Bureau, 1995; Willer, *Reaching the full cost of quality*, NAEYC, 1990). While some parents struggle to find any kind of child care at all in their communities, those who do find good quality care most often discover they cannot afford it, and settle for care they can afford—often unlicensed and developmentally inappropriate care.

Overall, about \$40 billion is spent annually on child care, most of it by parents, with the balance provided by government at all levels in the form of subsidies, and less than 1 percent paid by the private sector (Mitchell, Stoney, and Dichter, *Financing Child Care in the United States: An Illustrative Catalog of Current Strategies*, 1997). Although parents find child care fees high, child care providers try to keep fees at a level that parents can afford, and earn salaries far below what their training should command. With salaries averaging less than \$7 per hour, with few benefits, it is no wonder that staff turnover tops 30 percent a year among providers, with resulting damage to the attachments children form to caring adults. This huge staff turnover directly impairs the quality of care that children receive (Whitebook, Howes, and Phillips, *Worthy Work, Unlivable Wages: The National Child Care Staffing Study*, 1988–1997).

One impact of chronically low wages is the inability of providers to secure the financing they need to start new child care facilities or improve or upgrade those they already have. The Children's Development Commission Act would offer insurance security to lenders who want to help providers build new facilities or upgrade existing ones to improve safety or meet higher standards, even including facilities in which to train child care providers.

The private sector doesn't want to take risks on child care providers; this bill would help stimulate the private sector into meeting the growing demand for child care. Since the supply of good quality care is one of the Nation's most pressing needs, especially since the implementation of welfare reform, helping providers open or upgrade facilities would be a great help to parents nationwide. In addition, the Act's inclusion of books and curricular and program materials in its definition of "equipment" is welcome news, since one of the hallmarks of poor quality care is a lack of toys and other stimulating materials that encourage development in child care rooms.

Child Care Action Campaign has long championed innovative child care financing programs and public-private partnerships in particular to improve the accessibility and quality of child care for all children. In concert with local advocates, we have undertaken programs in Indiana and Florida that successfully spurred such partnerships, with payoffs in direct improvements to child care. We have also observed the excellent efforts of facilities funds that now provide low-cost capital in Illinois, Massachusetts, and Maryland.

While this bill would be a positive step for Congress to take to help improve child care and early education in this country, a few improvements would make it even better. If the legislation could contain incentives for State governments to follow the Federal lead in establishing loan guarantees, that would increase the benefits. And funds to help the providers assisted by these guaranteed loans operate the centers they have built or improved would go a long way toward making child care more affordable and improving its quality.

The Children's Development Commission Act is not the large, comprehensive bill we need to improve child care and make it more affordable for America's working families. Ten million dollars in loan guarantees against an annual child care expenditure of \$40 billion seems very small, especially when many child development and early education experts say we actually need to spend \$80 to \$200 billion per year to provide good quality child care to all American children.

American families need a bigger, much more comprehensive approach to child care. They need a multi-faceted approach that would help dedicated, professional child care providers earn a living wage and stay in their beloved professions. They need a bill that would radically improve the quality of the early care and education our children desperately require if they are to compete in the demanding global workplace of tomorrow, one that would help all low-income children with the subsidies they need to enter good quality programs and one that would help working parents with the leaves and flexibility they now lack to spend time with their children and help them succeed.

But this bill is a step, and an important signal to America's working families that the U.S. Congress is aware of their need for good quality child care. A recent poll sponsored by CCAC and the Children's Defense Fund demonstrated huge support by voters, and especially families with young children, for Federal action on child care. We cannot fail to take a step forward when the possibility is presented, even if it is a small step. Child Care Action Campaign hopes you will be able to make the necessary improvements in this bill, and move it forward. As Representative Maloney has said of her bill, "It's going to do a lot with a little." We urge the Senate to do a lot for America's youngest children.

Thank you for the opportunity to speak to you today.

OPINIONS ON CHILD CARE
Detailed Tabulations

	Respondents %	Households w/Children Under 12
.....		
1. Overall, how difficult do you think it is for most American families today to find affordable, good quality child care? Do you think it is...		
Extremely difficult _____	29%	38%
Very difficult _____	29	28
Somewhat difficult _____	29	26
Not very difficult _____	4	3
Not difficult at all _____	3	2
DON'T KNOW _____	6	3
2. How likely would it be that you would vote for a candidate for office who supports helping low-income families afford the high cost of good quality child care? Would you be...		
Extremely likely _____	23%	30%
Very likely _____	29	27
Somewhat likely _____	29	29
Not very likely _____	7	6
Not likely at all _____	6	4
DON'T KNOW _____	5	5

I am now going to read you several types of after-school programs. For each program, please tell me if you would be extremely likely, very likely, somewhat likely, not very likely, or not likely at all to vote for a candidate for office who supports increased funding for that after-school program...

.....

3. After-school program that helps keep school age children from being home alone after school lets out?

.....

Extremely likely _____	33%	42%
Very likely _____	36	34
Somewhat likely _____	20	17
Not very likely _____	5	2
Not likely at all _____	4	4
DON'T KNOW _____	3	2

.....

4. After-school program that helps keep teenagers engaged in constructive activities on and off the streets

.....

Extremely likely _____	32%	36%
Very likely _____	37	39
Somewhat likely _____	21	19
Not very likely _____	4	2
Not likely at all _____	3	3
DON'T KNOW _____	3	2

OPINIONS ON CHILD CARE Detailed Tabulations

	Respondents %	Households w/Children Under 12
I am now going to read you several other programs. For each program, please tell me if you would be extremely likely, very likely, somewhat likely, not very likely, or not likely at all to vote for a candidate for office who supports that program...		

5. Child care so that all children can enter school ready to learn

Extremely likely	31%	37%
Very likely	37	35
Somewhat likely	19	18
Not very likely	5	4
Not likely at all	4	3
DON'T KNOW	3	3

6. Preschool activities so that all children can enter school ready to learn

Extremely likely	32%	36%
Very likely	36	36
Somewhat likely	20	18
Not very likely	5	4
Not likely at all	4	3
DON'T KNOW	3	3

7. If Congress provides new tax breaks for middle income families, do you think they should ALSO provide child care assistance for low-income working families?

YES	80%	87%
NO	15	11
DON'T KNOW	6	2

8. Since the federal government provides working families with financial assistance to help pay for their children's college tuition, would you support having the government provide financial assistance to working families to help pay for child care?

YES	73%	84%
NO	21	14
DON'T KNOW	7	3

Prepared by:
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child care and
early education

GOOD QUALITY CHILD CARE AND EARLY EDUCATION: A DRAMATIC OPPORTUNITY TO PROMOTE LEARNING AND PREVENT DAMAGE IN OUR YOUNGEST CHILDREN

The social, emotional, and cognitive development of as many as 12 million children under the age of six is dependent on their access to safe, reliable child care and early education that provides them with the opportunity to form stable relationships with caring adults and other children and to engage in interesting and stimulating activities. Such good quality child care and early education is strongly linked to school achievement and the development of social skills that enable a child to grow into a happy, productive adult. Such child care has been used successfully to prepare at-risk children for school. It also improves educational and social development for children from middle- and low-income families (Berrueta-Clement, Schweinhart, Barnett, Epstein, & Weikart, 1984; Burchinal, Lee, & Ramey, 1989; Campbell & Ramey, 1994; Carnegie Corporation of New York, 1994; Doherty, 1991; Hayes, Palmer, & Weikart, 1980; Lazar, Darlington, Murray, Royce, & Snipper, 1982; Schweinhart & Weikart, 1980).

Poor quality child care and early education can harm children. Their intellectual and social development can be stunted. In extreme cases, children have been harmed physically. The Carnegie Corporation's Starting Points Task Force, citing new scientific research on brain development in the first three years of life, found that "an adverse environment can compromise a young child's brain function and overall development, placing him or her at greater risk of developing a variety of cognitive, behavioral, and physical difficulties. In some cases these effects may be irreversible. But the opportunities are equally dramatic: a good start in life can do more to promote learning and prevent damage than we ever imagined" (Carnegie Corporation, *Starting Points*, abridged, p.4, 1994).

Most child care and early education is not of good quality

Tragically, several recent studies have documented that the quality of most child care and early education available to working families in the United States is mediocre to poor. Independent observers for *The Cost, Quality, and Child Outcomes Study in Child Care Centers* (Helburn, Culkin, Howes, Clifford, Cryer, Kagan et al., 1995) found that in 40 percent of the infant and toddler rooms, caregivers did not follow basic sanitary practices. In these poor quality settings, children were rarely held, cuddled, or talked to by their providers. The rooms lacked toys and other materials that encourage development. *The Study of Children in Family Child Care and Relative Care* by the Families & Work Institute in 1994 found that "only nine percent of the [family child care]

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homes in the study are rated as good quality (meaning growth-enhancing), while 56 percent are rated as adequate/custodial (neither growth-enhancing nor growth-harming), and 35 percent are rated as inadequate (growth-harming)."

The quality of child care and early education affects parents as well. When working parents are comfortable with their child care arrangements, they are more productive on the job. When care is inadequate, parental stress mounts and work performance suffers. Poor quality child care arrangements are more likely to fall apart, causing parents to miss work and even to lose their jobs (Galinsky et al., *The Changing Workforce*, 1993; Fernandez, *Child Care and Corporate Productivity*, 1986).

What does good quality child care and early education look like?

In good quality child care and early education, children learn how to share, play with, and get along with each other. They are read to, and encouraged to talk and create their own stories. There is a lot of warmth and support for all children. Babies are held when they are fed. They receive a lot of attention from caregivers who understand their cues. They are hugged, talked to, and comforted when they are fussy. Toddlers and preschool children are engaged in interesting, age-appropriate, safe activities both indoors and out. They can play at the sandtable with other children, or build a tower on their own. When they are finished with one form of play, they are encouraged to explore something else.

Essential ingredients of good quality child care and early education:

- Providers who want to care for and work with children.
- Providers who are *trained* in the stages of child development, health, and safety.
- Providers who are *paid* a salary commensurate with their skills, training, and experience.
- Low staff turnover (a product of above conditions), which helps children experience secure attachment to caring adults.
- High staff:child ratios, which ensure each child is safe and gets enough attention.
- Policies and practices that encourage parental involvement in children's education and development.
- Stimulating activities that help children develop cognitive and social skills through play.

Poverty-level wages undermine quality work force

Although demand for good quality child care and early education remains high and is certain to increase with the implementation of welfare reform, child care teacher and provider salaries still hover at or near the poverty level. Low salaries lead to a high turnover rate; nearly one-third of all child care center teachers and one-half of all family child care providers leave their jobs each year. (National Center for the Early Childhood Work Force, *National Child Care Staffing Study Revisited*, 1993).

Between 1993 and 1994, real wages for the lowest paid teaching assistants, the fastest growing segment of the child care center work force, actually declined. At the same time, real wages for the highest paid teaching staff in centers, who constitute a very small segment of the work force, increased by only 66 cents per hour. *The Cost, Quality, and Child Outcomes in Child Care Centers* study surveyed teaching assistants and teachers in early 1995 and found that the average wage was \$6.89 an hour, or \$12,057.50 a year. The same study found that health care benefits were offered in 64 percent of centers for full-time teachers, in 49 percent of centers for full-time assistants, and in 13 percent of centers for part-time staff. The National Center for the Early Childhood Work Force reports that only 63.7 percent of the staff of child care centers receive paid vacation (Whitebook

et al., *National Child Care Staffing Study Revised: Four Years in the Life of Center Based Child Care*, Oakland, CA: Child Care Employee Project, 1993).

Cost of good quality child care and early education is out of reach for most
Most working families cannot afford to pay what it costs to produce good quality child care and early education. This is true despite the fact that the wages of child care providers, which account for 60 to 70 percent of the cost of producing child care, are below what individuals with similar education and experience earn in other settings (*Cost, Quality, and Child Outcomes*). Families who pay for child care spend, on average, about \$3,700 per year for one or more preschool children (U.S. Census Bureau, "What Does it Cost to Mind Our Preschoolers?," in *Current Population Reports*, September 1995). By contrast, national experts peg the cost of providing good quality care at \$6,300 to \$8,500 per child per year (National Association for the Education of Young Children, "Estimating the full cost of quality," in *Reaching the full cost of quality in early childhood programs*, 1990). The latter figures represent 26 to 44 percent of the gross income for a family of four earning the median income and paying for child care for two children.

Providers struggle, too often unsuccessfully, to get by on fees that parents can afford. Whether in a center or family child care home, revenue from parent fees alone do not allow the typical child care provider to offer children the trained staff, small group sizes, and low child-to-adult ratios that encourage frequent, responsive adult interactions with each child that are at the heart of good quality child care and early education.

Parents need help paying for good quality child care and early education
Parents need help bridging the gap between what they can afford and what good quality child care and early education cost. There are a number of ways that federal, state, and local governments can help more parents pay for good quality child care: by expanding the Dependent Care Tax Credit, and making it refundable; by extending child care subsidies to a broader range of working families; by extending tax incentives to employers who provide child care subsidies or on-site child care; and by linking child care with public school systems to improve the quality of the child care and early education our youngest children receive.

Businesses benefit when they play a role in helping parents find and pay for good quality child care and early education. The most important role for business is as a partner of local or state public agencies for investment in child care and early education resources, so that all families have good quality child care choices they can afford in their communities. Public-private partnerships of this nature sustain child care and early education growth and improvement in communities. Businesses also can provide employees with the Dependent Care Assistance Plan pre-tax payroll deduction, link parents with child care resource and referral agencies in their communities, or invest directly in child care and early education resources in or near the work site for their employees.

Choices for children and parents

More and more emphasis has been placed on consumer education: arming parents with the knowledge that they need to make informed decisions regarding child care and early education. But, parents often feel that they do not have a choice about the care they use. Sixty-two percent of parents using family child care and relative care said that they had looked for alternatives to the child care they presently use. Sixty-five percent of these same parents said they found no other acceptable options (Gainsky et al., *The Study of Children in Family Child Care and Relative Care*, 1994).

Public support for standards to protect children

There is strong public support for the setting and enforcement of regulations that establish basic health and safety standards to protect consumers of child care. According to a March 1995 poll by prominent Republican pollster Vinca Breglio of R/S/M, Inc., 54 percent of all Americans oppose efforts to eliminate federal requirements that states set minimum health and safety standards for child care facilities.

Overall, large gaps exist in state regulations of child care in centers and family child care homes, which helps determine the minimum quality and safety of the care in each state. *The Cost, Quality, and Child Outcomes Study in Child Care Centers* found that "states with more demanding licensing standards have fewer poor quality centers" (Helburn *et al.*, Executive Summary, p.4). A study by the Children's Defense Fund (CDF) found that 43 percent of all children in out-of-home care are unprotected by state regulations due to exemptions. For example, a number of states specifically exempt child care located in or provided by churches and schools (CDF, *Who Knows How Safe?* 1990).

- Fewer than half of all states regulate group size. Nearly all set staff:child ratios for centers, but many allow staffing ratios that exceed levels that have been shown to produce good quality child care (*Ibid.*).
- Although at least three-fifths of the states require ongoing training for teachers, most require only 12 hours of training or less per year (Morgan *et al.*, *Making a Career of It*, Center for Career Development in Early Childhood Education, Wheelock College, 1993).

Regulations make a difference in the quality of child care and early education

It is clear that regulations make a difference. In a study that compared regulated family child care providers with those who were not regulated, the regulated providers were more likely to be sensitive and responsive to children in their care (Galinsky *et al.*, *The Study of Children in Family Child Care and Relative Care*). In states that regulate family child care, standards are usually less demanding than for child care in centers. For family child care providers, ongoing annual training is required in only 19 states (Morgan *et al.*, *Making a Career of It*). The Families & Work Institute found that when family child care providers participate in intensive workshops and general courses in child care, their commitment to their jobs increases and they seek out additional training; this leads to higher quality for children and families (Galinsky *et al.*, *The Family Child Care Training Study*, 1995).

Choosing to meet higher standards of quality through accreditation

Accreditation is another way to ensure that children are receiving good quality child care and early education. Accredited centers and family child care homes voluntarily strive to attain higher standards of quality that have been established by national child care organizations and that exceed minimum state licensing standards. The National Academy of Early Childhood Programs, a division of the National Association for the Education of Young Children, is the largest accrediting body for child care and early childhood centers. As of April 1995, nearly 5,500 programs have been accredited by NAEYC. Health and safety, staffing, staff qualifications, physical environment, and administration are all reviewed during the accreditation process, with primary consideration placed on the quality of the interactions between staff and children and the developmental appropriateness of the curriculum. Family child care providers (as well as providers in centers) can have Child Development Associate credentials, meaning that they have completed a 6 to 18-month course of study. They also may be accredited by the National Association for Family Child Care, which assesses the provider's skills as well as the home in which the care is provided (Families & Work Institute, *Child Care Aware: A Guide to Promoting Professional Development in Family Child Care*, 1995).

ANNUAL COST OF CHILD CARE IN NEW YORK 1995

CHILD CARE CENTERS

<u>AGE OF CHILD</u>	<u>AVERAGE</u>	<u>HIGH</u>
1 YEAR	\$6,346	\$9,360
4 YEARS	\$5,612	\$8,580
8 YEARS	\$3,378	\$5,103

FAMILY CHILD CARE HOMES

<u>AGE OF CHILD</u>	<u>AVERAGE</u>	<u>HIGH</u>
1 YEAR	\$5,020	\$7,800
4 YEARS	\$4,718	\$7,280
8 YEARS	\$3,378	\$5,103

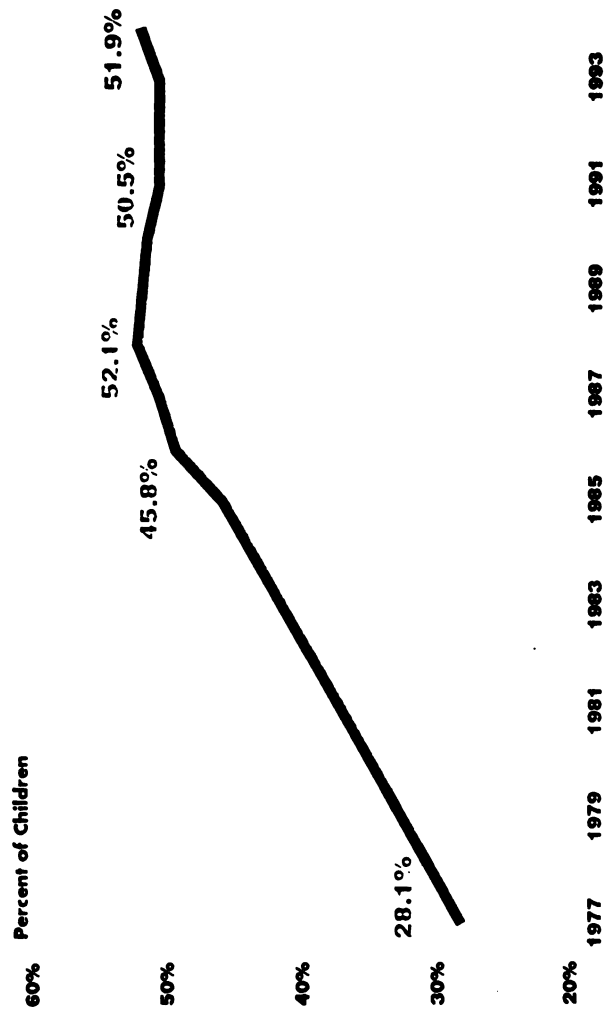
Source: New York State Child Care Coordinating Council, collected by CBF and NACCHRA

ANNUAL CHILD CARE CENTER FEES 1996

	<u>One-Year-Old</u>	<u>Three-Year-Old</u>	<u>Six-Year-Old</u>
Boston, MA	\$11,860	\$8,840	\$6,660
Durham, NC	\$5,150	\$4,630	\$2,810
Orlando, FL	\$4,320	\$3,800	\$1,980
Minneapolis, MN	\$8,370	\$6,030	\$3,740
Dallas, TX	\$4,630	\$4,210	\$2,650
Boulder, CO	\$8,580	\$6,240	\$3,430
Oakland, CA	\$7,540	\$6,500	\$3,640

Source: Child Care Information Exchange, 796.

Children Under Age Five with Employed Mothers 1977-1994



Source: U.S. Bureau of the Census

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.. May 29, 1998, Friday, Final Edition

SECTION: METRO; Pg. E03; JUDY MANN

LENGTH: 934 words

HEADLINE: A Modest Child Care Proposal

BYLINE: Judy Mann

BODY:

Rep. Carolyn B. Maloney (D-N.Y.) served on the New York City Council before being elected to Congress. Her second daughter was born one hour after a council meeting. "I know firsthand the challenges of finding quality and affordable child care," she says.

She and Rep. Richard H. Baker (R-La.) are co-sponsoring an imaginative and low-cost proposal to spur private-sector construction and development loans that could expand the nation's supply of child care.

Currently, the private sector hesitates to provide loans for constructing, upgrading or operating child care centers because of a perception that day-care operators have a high risk for liability. The Maloney-Baker bill would create the Children's Development Commission -- they are calling it "Kiddie Mac" -- which would offer insurance guarantees to lenders who help potential child care operators build or renovate facilities to bring them up to licensing standards.

Kiddie Mac also would offer reasonably priced fire and liability insurance to qualifying child care providers. "Fanny Mae and Freddie Mac really revolutionized affordable housing," Maloney says. "Kiddie Mac is patterned after two very successful programs and takes care of one of the very important parts of child care, and that is the infrastructure space."

Welfare reform is putting more and more mothers into the work force and exacerbating the need for child care. In New York City, there are an estimated 60,000 additional children who will need child care by 2001, and the city forecasts slots for only half of them. "Many private lenders want to invest in child care facilities, but they are afraid of the risk," Maloney says. "This takes the risk out of it. Kiddie Mac doesn't solve the entire problem, but it's an important block."

In a "dear colleague" letter to members of Congress, Maloney and Baker, both members of the Banking and Financial Services Committee, gave a statistical snapshot of how America's children are cared for. In 1995, there were nearly 21 million children who were 5 or younger. About 41 percent were cared for by their parents, 21 percent by relatives, 4 percent by sitters, 31 percent in

center-based child care programs, and 14 percent in family child-care homes -- with some children cared for in different settings at different times. It's not just single mothers who need child care. In 1970, a Department of Labor study showed that 30 percent of married mothers were in the work force; by 1994, 62 percent were. Meanwhile, building day-care centers has become expensive, costing as much as \$ 125 a square foot.

The Kiddie Mac bill provides for a one-shot \$ 10 million fund that would operate out of the Department of Housing and Urban Development. Kiddie Mac would certify the loans to qualifying child care providers and it also would give micro-loans to facilities to bring them up to licensing standards. The fund would become self-sustaining through the premiums paid by lenders, and some of the funds would be used to establish a nonprofit foundation that would focus on research on child care and development and create materials to help guide potential providers through the Kiddie Mac process.

"This program provides an opportunity for innovative financing that will enable a small- to medium-size facility to get access to credit to expand or perhaps provide for life-safety items in the child-care home," says Baker, chairman of the subcommittee on capital markets, securities and government-sponsored enterprises. He has set hearings for June 10 on the Hill and June 26 in Baton Rouge. "This approach will enable borrowers to get rates that are very attractive as compared to the traditional commercial market. At the end of the day, should Kiddie Mac be adopted, it could mean a measurable improvement not only in the quality of child care but in the number of facilities currently operating within the country."

Kiddie Mac is not, strictly speaking, in the mold of government-sponsored enterprises that began in 1916 with the Farm Credit System and expanded over the years with Fannie Mae and Freddie Mac, the Home Loan Bank System and the Student Loan Marketing Association. But the idea behind all of these is the same: to cure a deficiency in the marketplace, such as a lack of available credit for agriculture or housing or education.

HUD already has a program that provides guarantees for mortgages for elder-care facilities. "We said we will balance it," a Hill staffer said. "We look after our elderly, we look after our children." He said he expected the impact of Kiddie Mac to be much smaller than some of the government-sponsored enterprises. "Child care involves a lot of people but a smaller percentage of the total population than, say, a housing issue or student loans. But it's a targeted activity that hopefully, with some federal backing, will do some good." New Hampshire launched a similar state program this month with two low-interest loans to child care centers to help them expand.

Recent developments in brain research have made it clear that a healthy, stimulating environment for very young children can have lifelong benefits on learning and functioning effectively in society. Similarly, unhealthy, unstimulating environments can result in learning pathways in the brain falling into disuse and the child growing up with a host of emotional and learning problems. Good child care is an investment in everyone's future.

"Kiddie Mac is cost-effective," Maloney says. "It is going to do a lot with very little." And that should make it a sure-fire winner.

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October 5, 1998

The Honorable Carol Moseley-Braun
U.S. Senator
324 Hart Senate Office Building
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VIA FACSIMILE: 202-228-5788

Dear Senator Braun,

Thank you for the opportunity to comment on S. 2178, which proposes the creation of a Children's Development Commission. To my knowledge, this is the first bill of any substance to address the overwhelming need for an organized response to the crisis in child care facility finance and development that exists in many parts of the country. Such a commission will be able to help support a coherent system of early childhood development in the United States, even while supporting states in their individual efforts to respond to the needs and desires of all families.

The Illinois Facilities Fund is a statewide nonprofit community development financial institution created in 1988 by a foundation to make below-market loans to nonprofits unable to obtain conventional financing. The IFF also undertakes real estate development for nonprofits. While we work with nonprofit agencies in many fields, we have an expertise in child care. In addition to lending and consulting on real estate projects, we financed, constructed and own seven large child care centers in five Illinois cities, through a program we designed in partnership with the State of Illinois. We are managing the financing and construction of two additional child care centers in Chicago, which will break ground this summer, partly funded with Empowerment Zone funds and focused on supporting the goals of welfare reform. We are a \$30 million organization today and project growth of about \$8 million a year for the next five years.

The majority of our work is in disinvested or low-income neighborhoods, because these are the communities in which banks are more hesitant to lend, generally due to low real estate values.

The IFF is a founder of the National Children's Facilities Network, a group of nonprofit organizations similar to the IFF, which tracks state and federal policy with regard to capital investment in the child care field, and encourages better financial planning. In Illinois, the IFF is involved in research and policy activities to improve planning for child care and to increase funding and operating flexibility. The IFF provides consulting to government entities and nonprofit agencies on planning, the financial feasibility of real estate projects, and on the construction, operations and funding of buildings for new or growing programs.

Child care has recently become a visible and integral part of American life as women of all ages and incomes continue to seek full time or part time employment. In addition, there is a growing realization that appropriate early childhood development is absolutely critical in every child's life. Child care is more than a support service to enable parents to work; early childhood development determines whether children are developmentally prepared for kindergarten. For these reasons, there is tremendous pressure on the child care field to grow. While many families have little or no financial constraint in their child care choices, parent behavior shows that there is a limit to the amount that will be paid for this care, no matter what the family income. It is generally agreed by child care advocates and observers of the economics of the field that no family should pay more than 10 percent of the family income for child care. As with so many other services, higher income families actually pay a smaller percentage of their incomes for child care than lower income families pay.

Studies show that 32% of all parents using out-of-home care for their pre-schoolers choose or want to choose a child care center. Further, studies show that a majority of parents using out of home care for children older than age two choose or want to choose center based care, because it is believed that centers provide socialization and education more consistently and with greater accountability than other providers.

It is no surprise that child care programs for middle and low income families are experiencing even greater pressure as a result of the repeal of welfare. In the communities where this urgency exists, we do not have the supply of quality early childhood programs that middle and upper income communities take for granted.

Federal policy over the past several years has dramatically increased the demand for child care for low income families but has done nothing to increase supply. Study after study provide critiques and recommendations for the rapidly growing field. However, few of these address the financial and capital needs of this asset-intensive business, and this is what S. 2178 will do. It is a welcome addition to the efforts to design a comprehensive system for parents who must or choose to take advantage of early childhood development programs for their children.

According to the Illinois Department of Human Services, as of March 1, 1998, there were 530,000 recipients of Temporary Assistance to Needy Families (the program that replaced AFDC). Of these, 370,000 were children. The Illinois Facilities Fund projects that in the Chicago metropolitan area alone about 39,000 of these children will need full-day care within the next two years and will qualify for a child care subsidy. Of these families, 13,000 children are likely to select center-based care.¹ Illinois currently does not have child care programs to accommodate this projected demand. One example is in the Englewood neighborhood of Chicago, where 1,519 children under five are eligible for 161 child care spaces (including child care centers and licensed home

¹ The IFF uses conservative estimates based on current parent behavior, which indicates that between 32% and 38% of parents choose child care centers, and a majority of parents of children three and four years of age choose centers, according to The Future of Children: Financing Child Care (1996).

providers). This community can only provide child care for 11 percent of the children needing care, even though these parents qualify for a subsidy and most will lose welfare benefits in the near future.

Child care is a highly regulated industry - both the building and the program of any child care center are subject to licensing, health and safety codes, and curriculum requirements. (Licensed homes also have regulations in Illinois.) Licensing covers staffing and square foot requirements. In order to obtain a license, the child care provider is required to make an up-front capital investment in buildings, supplies, playgrounds, and professional staff. Few independent child care providers with a mission to serve a low-income community can make this investment, for reasons that are common to many small businesses and many nonprofit agencies, including a lack of collateral, low real estate values, and, most importantly, constrained revenues.

Child care as a business cannot increase revenues to cover increased expenses without a very careful analysis of parent income and other choices available to parents. As a rule, child care providers work very hard to keep costs as low as possible. Their mission - whether for-profit or nonprofit - is to work with young children, and they want to remain in business.

Earlier this year President Clinton stated that he would like to subsidize child care for 1 million more low-income children, and increase Head Start by 350,000 children. The table below shows the projected capital costs associated with such a goal. In the table, it is assumed that only 32% of the children would use this subsidy in child care centers (see Footnote 1 on page 3):

Program	Additional children to be served in child care centers over five years	Additional classrooms needed	Additional square feet needed	Total cost over five years
Child Care Block Grant	320,000 children (32% of total)	16,000 ²	22.4 million ³	\$2.24 billion ⁴
Head Start	350,000 Total • 270,000 three-to-five-year-olds • 80,000 Early Head Start children	20,566 ⁵	12.25 million ⁶	\$1.23 billion

This table shows that for every additional dollar spent on the above programs, \$0.31 in capital investment will be necessary to meet the increased demand, just from the parents who choose child care centers. We have not kept up with the need for capital investment in child care centers in the communities throughout the country where they are most needed.

² Based on 20 children per classroom

³ Assumes 70 square feet per child

⁴ Assumes \$100 per square foot for new construction. Source: The Future of Children: Financing Child Care, Vol. 6, No. 2, 1996.

⁵ Based on 17 children per classroom. Assumes full-day

⁶ Based on 35 square feet net usable space, per Head Start regulations.

Do we need a federal program to deal with this enormous need? Yes. S. 2178 is the first such broad effort. However, there are a number of barriers to financing that must be addressed as S. 2178 is designed and implemented.

The revenue limitations create three distinct barriers to adequate market response to the growth of the child care field, particularly in middle and lower income communities. First, while government subsidies have increased overall, per child revenues have not increased and they are inadequate to spur investment or cover the true cost of quality care. Second, when child care providers want to respond to new demands, they still need to make an equity investment, or they spend a significant amount of time saving or raising the funds in order to undertake the facility project. Too often the immediate day to day needs win out over saving for a downpayment for a new facility. If successful in raising the equity, the low margins available for debt service determine the amount that can be borrowed. And finally, child care center buildings are special use buildings, decreasing their value to conventional lenders. As a result, lenders often require higher interest rates and greater debt coverage and loan to value ratios. S. 2178 will be able to address this problem directly.

These financing barriers have other implications and consequences for communities, families and children. The supply of center-based child care does not increase as demand increases, particularly in low-income neighborhoods. Intervention in this market is necessary, and this is the role that can be played by S. 2178.

Many banks are interested in community development lending, but in our experience in Illinois, even if debt service coverage requirements can be met through revenues, in most cases banks still require equity contributions of 20 percent and loan to value ratios based on appraisals. A sensible companion to H. R. 3637 would be an authorization to allow the states to use the Child Care Block Grant to provide equity grants to child care centers in underserved communities. A consistent source of equity would enable projects to make use of bank lending, assuming they can generate enough revenue to cover debt.

In general I believe the guarantee amount proposed in S. 2178 should be used as a mechanism to stretch banks further in their loans to child care centers. I urge the Committee to provide guarantees based on terms proposed by banks, adjusting the level based on concessionary interest rates on the part of the bank. I also propose that special consideration be given to banks that work hard to make loans in low to moderate communities, so that S. 2178 is used to direct investment more equally throughout our communities.

CONCLUSION

Despite wide recognition of child care as a valued service for parents and children, the field faces a constant lack of adequate resources to meet demand. This is largely because the costs of quality child care are more than what most parents will pay or are able to pay. The economics of the current child care field are built on keeping costs low.

This is a field struggling to deliver an expensive service to a market with tight family and public sector budgets. S. 2178 is an opportunity to proactively address these issues. Thank you for your attention to this important matter.

Sincerely,



Trinita Logue
President

105TH CONGRESS
2D SESSION

S. 2178

To amend the National Housing Act to authorize the Secretary of Housing and Urban Development to insure mortgages for the acquisition, construction, or substantial rehabilitation of child care and development facilities and to establish the Children's Development Commission to certify such facilities for such insurance, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 16, 1998

Mr. KOHL (for himself and Mr. D'AMATO) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the National Housing Act to authorize the Secretary of Housing and Urban Development to insure mortgages for the acquisition, construction, or substantial rehabilitation of child care and development facilities and to establish the Children's Development Commission to certify such facilities for such insurance, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the "Children's Develop-
3 ment Commission Act".

4 **SEC. 2. CONGRESSIONAL FINDINGS.**

5 Congress finds the following:

6 (1) The need for quality nursery schools, both
7 full-time and part-time child care centers and after-
8 school programs, after school programs, neighbor-
9 hood-run mothers-day-out programs, and family
10 child care providers has grown among working par-
11 ents, and parents who stay at home, who want their
12 children to have access to early childhood education.

13 (2) All parents should have access to safe, stim-
14 ulating, and educational early childhood education
15 programs for their children, whether such programs
16 are carried out in a child care center, a part-time
17 nursery school (including a nursery school operated
18 by a religious organization), or a certified child care
19 provider's home.

20 (3) The number of available enrollment oppor-
21 tunities for children to receive quality child care
22 services is not meeting the demand for such services.

23 (4) In 1995 there were about 21,000,000 chil-
24 dren less than 6 years of age, of whom 31 percent
25 were participating in center-based child care services
26 and 14 percent were receiving child care in homes.

1 Between 1992 and 2005 the participation of women
2 24 to 54 years of age in the labor force is projected
3 to increase from 75 percent to 83 percent.

4 (5) In States that have set up a mechanism to
5 provide capital improvements for child care facilities,
6 the demand for services of such facilities still has
7 not been met.

8 (6) The United States is behind other western,
9 industrialized countries when it comes to providing
10 child care services. In France, almost 100 percent of
11 all children 3 to 5 years of age attend nursery
12 school. In Germany this number is 65 to 70 percent.
13 In Japan 90 percent of such children attend some
14 form of preschool care. In all of these countries early
15 childhood care has proven to increase children's de-
16 velopment and performance.

17 **SEC. 3. INSURANCE FOR MORTGAGES ON NEW AND REHA-**
18 **BILITATED CHILD CARE AND DEVELOPMENT**
19 **FACILITIES.**

20 Title II of the National Housing Act (12 U.S.C. 1707
21 et seq.) is amended by adding at the end the following:

22 "MORTGAGE INSURANCE FOR CHILD CARE AND
23 DEVELOPMENT FACILITIES

24 "SEC. 257. (a) PURPOSE.—The purpose of this sec-
25 tion is to facilitate and assist in the provision and develop-
26 ment of licensed child care and development facilities.

1 “(b) GENERAL INSURANCE AUTHORITY.—The Sec-
2 retary may insure mortgages (including advances on such
3 mortgages during construction) in accordance with the
4 provisions of this section and upon such terms and condi-
5 tions as the Secretary may prescribe and may make com-
6 mitments for insurance of such mortgages before the date
7 of their execution or disbursement thereon.

8 “(c) ELIGIBLE MORTGAGES.—To carry out the pur-
9 pose of this section, the Secretary may insure any mort-
10 gage that covers a new child care and development facility,
11 including a new addition to an existing child care and de-
12 velopment facility (regardless of whether the existing facil-
13 ity is being rehabilitated), or a substantially rehabilitated
14 child care and development facility, including equipment
15 to be used in the operation of the facility, subject to the
16 following conditions:

17 “(1) APPROVED MORTGAGOR.—The mortgage
18 shall be executed by a mortgagor approved by the
19 Secretary. The Secretary may, in the discretion of
20 the Secretary, require any such mortgagor to be reg-
21 ulated or restricted as to charges and methods of fi-
22 nancing and, if the mortgagor is a corporate entity,
23 as to capital structure and rate of return. As an aid
24 to the regulation or restriction of any mortgagor
25 with respect to any of the foregoing matters, the

1 Secretary may make such contracts with and acquire
2 for not more than \$100 such stock or interest in
3 such mortgagor as the Secretary may consider nec-
4 essary. Any stock or interest so purchased shall be
5 paid for out of the General Insurance Fund, and
6 shall be redeemed by the mortgagor at par upon the
7 termination of all obligations of the Secretary under
8 the insurance.

9 “(2) PRINCIPAL OBLIGATION.—The mortgage
10 shall involve a principal obligation in an amount not
11 to exceed 90 percent of the estimated value of the
12 property or project, or 95 percent of the estimated
13 value of the property or project in the case of a
14 mortgagor that is a private nonprofit corporation or
15 association (as such term is defined pursuant to sec-
16 tion 221(d)(3)), including—

17 “(A) equipment to be used in the operation
18 of the facility when the proposed improvements
19 are completed and the equipment is installed; or

20 “(B) a solar energy system (as defined in
21 subparagraph (3) of the last paragraph of sec-
22 tion 2(a)) or residential energy conservation
23 measures (as defined in subparagraphs (A)
24 through (G) and (I) of section 210(11) of the
25 National Energy Conservation Policy Act), in

1 cases in which the Secretary determines that
2 such measures are in addition to those required
3 under the minimum property standards and will
4 be cost-effective over the life of the measure.

5 “(3) AMORTIZATION AND INTEREST.—The
6 mortgage shall—

7 “(A) provide for complete amortization by
8 periodic payments under such terms as the Sec-
9 retary shall prescribe;

10 “(B) have a maturity satisfactory to the
11 Secretary, but in no event longer than 25 years;
12 and

13 “(C) bear interest at such rate as may be
14 agreed upon by the mortgagor and the mortga-
15 gee, and the Secretary shall not issue any regu-
16 lations or establish any terms or conditions that
17 interfere with the ability of the mortgagor and
18 mortgagee to determine the interest rate.

19 “(d) CERTIFICATION BY CHILDREN’S DEVELOPMENT
20 COMMISSION.—The Secretary may not insure a mortgage
21 under this section unless the Children’s Development
22 Commission established under section 258 certifies that
23 the facility is in compliance, or will be in compliance not
24 later than 12 months after such certification, with—

1 “(1) any laws, standards, and requirements ap-
2 plicable to such facilities under the laws of the
3 State, municipality, or other unit of general local
4 government in which the facility is or is to be lo-
5 cated; and

6 “(2) after the effective date of the standards
7 and requirements established under section
8 258(c)(2), such standards and requirements.

9 “(e) RELEASE.—The Secretary may consent to the
10 release of a part or parts of the mortgaged property or
11 project from the lien of any mortgage insured under this
12 section upon such terms and conditions as the Secretary
13 may prescribe.

14 “(f) MORTGAGE INSURANCE TERMS.—The provisions
15 of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n)
16 of section 207 shall apply to mortgages insured under this
17 section, except that all references in such subsections to
18 section 207 shall be considered, for purposes of mortgage
19 insurance under this section, to refer to this section.

20 “(g) MORTGAGE INSURANCE FOR FIRE SAFETY
21 EQUIPMENT LOANS.—

22 “(1) AUTHORITY.—The Secretary may, upon
23 such terms and condition as the Secretary may pre-
24 scribe, make commitments to insure and insure
25 loans made by financial institutions or other ap-

1 proved mortgagees to child care and development fa-
2 cilities to provide for the purchase and installation
3 of fire safety equipment necessary for compliance
4 with the 1967 edition of the Life Safety Code of the
5 National Fire Protection Association (or any subse-
6 quent edition specified by the Secretary of Health
7 and Human Services).

8 “(2) LOAN REQUIREMENTS.—To be eligible for
9 insurance under this subsection a loan shall—

10 “(A) not exceed the Secretary’s estimate of
11 the reasonable cost of the equipment fully in-
12 stalled;

13 “(B) bear interest at such rate as may be
14 agreed upon by the mortgagor and the mortga-
15 gee;

16 “(C) have a maturity satisfactory to the
17 Secretary;

18 “(D) be made by a financial institution or
19 other mortgagee approved by the Secretary as
20 eligible for insurance under section 2 or a mort-
21 gagee approved under section 203(b)(1);

22 “(E) comply with other such terms, condi-
23 tions, and restrictions as the Secretary may
24 prescribe; and

1 “(F) be made with respect to a child care
2 and development facility that complies with the
3 requirement under subsection (d).

4 “(3) INSURANCE REQUIREMENTS.—The provi-
5 sions of paragraphs (5), (6), (7), (9), and (10) of
6 section 220(h) shall apply to loans insured under
7 this subsection, except that all references in such
8 paragraphs to home improvement loans shall be con-
9 sidered, for purposes of this subsection, to refer to
10 loans under this subsection. The provisions of sub-
11 sections (c), (d), and (h) of section 2 shall apply to
12 loans insured under this subsection, except that all
13 references in such subsections to ‘this section’ or
14 ‘this title’ shall be considered, for purposes of this
15 subsection, to refer to this subsection.

16 “(h) SCHEDULES AND DEADLINES.—The Secretary
17 shall establish schedules and deadlines for the processing
18 and approval (or provision of notice of disapproval) of ap-
19 plications for mortgage insurance under this section.

20 “(i) DEFINITIONS.—For the purposes of this section,
21 the following definitions shall apply:

22 “(1) CHILD CARE AND DEVELOPMENT FACIL-
23 ITY.—The term ‘child care and development facility’
24 means a public facility, proprietary facility, or facil-

1 ity of a private nonprofit corporation or association
2 that—

3 “(A) has as its purpose the care and devel-
4 opment of children less than 12 years of age;
5 and

6 “(B) is licensed or regulated by the State
7 in which it is located (or, if there is no State
8 law providing for such licensing and regulation
9 by the State, by the municipality or other politi-
10 cal subdivision in which the facility is located).

11 The term does not include facilities for school-age
12 children primarily for use during normal school
13 hours. The term includes facilities for training indi-
14 viduals to provide child care and development serv-
15 ices.

16 “(2) EQUIPMENT.—The term ‘equipment’ in-
17 cludes machinery, utilities, and built-in equipment
18 and any necessary enclosures or structures to house
19 them, and any other items necessary for the func-
20 tioning of a particular facility as a child care and
21 development facility, including necessary furniture.
22 Such term includes books, curricular, and program
23 materials.

24 “(3) MORTGAGE; FIRST MORTGAGE; MORTGA-
25 GEE.—The term ‘mortgage’ means a first mortgage

1 on real estate in fee simple, or on the interest of ei-
2 ther the lessor or lessee thereof under a lease having
3 a period of not less than 7 years to run beyond the
4 maturity date of the mortgage. The term 'first mort-
5 gage' means such classes of first liens as are com-
6 monly given to secure advances (including advances
7 during construction) on, or the unpaid purchase
8 price of, real estate under the laws of the State in
9 which the real estate is located, together with the
10 credit instrument or instruments (if any) secured
11 thereby, and any mortgage may be in the form of
12 one or more trust mortgages or mortgage indentures
13 or deeds of trust, securing notes, bonds, or other
14 credit instruments, and, by the same instrument or
15 by a separate instrument, may create a security in-
16 terest in initial equipment, whether or not attached
17 to the realty. The term 'mortgagor' has the meaning
18 given the term in section 207(a).

19 "(j) LIMITATION ON INSURANCE AUTHORITY.—

20 "(1) TERMINATION.—No mortgage may be in-
21 sured under this section or section 223(h) after Sep-
22 tember 30, 2005, except pursuant to a commitment
23 to insure issued on or before such date.

24 "(2) AGGREGATE PRINCIPAL AMOUNT LIMITA-
25 TION.—The aggregate principal amount of mort-

1 gages for which the Secretary enters into commit-
2 ments to insure under this section or section 223(h)
3 on or before the date under paragraph (1) may not
4 exceed \$2,000,000,000. If, upon the date under
5 paragraph (1), the aggregate insurance authority
6 provided under this paragraph has not been fully
7 used, the Secretary of the Treasury shall submit a
8 report to Congress evaluating the need for continued
9 mortgage insurance under this section.”.

10 “(k) REGULATIONS.—The Secretary shall issue any
11 regulations necessary to carry out this section. In issuing
12 such regulations, the Secretary shall consult with the Sec-
13 retary of Health and Human Services with respect to any
14 aspects of the regulations regarding child care and devel-
15 opment facilities.”.

16 **SEC. 4. INSURANCE FOR MORTGAGES FOR ACQUISITION OR**
17 **REFINANCING DEBT OF EXISTING CHILD**
18 **CARE AND DEVELOPMENT FACILITIES.**

19 Section 223 of the National Housing Act (12 U.S.C.
20 1715n) is amended by adding at the end the following:

21 “(h) MORTGAGE INSURANCE FOR PURCHASE OR RE-
22 FINANCING OF EXISTING CHILD CARE AND DEVELOP-
23 MENT FACILITIES.—

24 “(1) AUTHORITY.—Notwithstanding any other
25 provision of this Act, the Secretary may insure

1 under any section of this title a mortgage executed
2 in connection with the purchase or refinancing of an
3 existing child care and development facility, the pur-
4 chase of a structure to serve as a child care and de-
5 velopment facility, or the refinancing of existing debt
6 of an existing child care and development facility.

7 “(2) PURCHASE OF EXISTING FACILITIES AND
8 STRUCTURES.—In the case of the purchase under
9 this subsection of an existing child care and develop-
10 ment facility or purchase of an existing structure to
11 serve as such a facility, the Secretary shall prescribe
12 any terms and conditions that the Secretary consid-
13 ers necessary to ensure that—

14 “(A) the facility or structure purchased
15 continues to be used as a child care and devel-
16 opment facility; and

17 “(B) the facility complies with the same
18 requirements applicable under subsections (d)
19 and (e) of section 257 to facilities having mort-
20 gages insured under such section.

21 “(3) REFINANCING OF EXISTING FACILITIES.—
22 In the case of refinancing of an existing child care
23 and development facility, the Secretary shall pre-
24 scribe any terms and conditions that the Secretary
25 considers necessary to ensure that—

1 “(A) the refinancing is used to lower the
2 monthly debt service costs (taking into account
3 any fees or charges connected with such refi-
4 nancing) of the existing facility;

5 “(B) the proceeds of any refinancing will
6 be employed only to retire the existing indebted-
7 ness and pay the necessary cost of refinancing
8 on the existing facility;

9 “(C) the existing facility is economically
10 viable; and

11 “(D) the facility complies with the same
12 requirements applicable under section 257(d) to
13 facilities having mortgages insured under such
14 section.

15 “(4) DEFINITIONS.—For purposes of this sub-
16 section, the terms defined in section 257(i) shall
17 have the same meanings as provided under such sec-
18 tion.

19 “(5) LIMITATION ON INSURANCE AUTHORITY.—
20 The authority of the Secretary to enter into commit-
21 ments to insure mortgages under this subsection is
22 subject to the limitations under section 257(j).”.

1 **SEC. 5. CHILDREN'S DEVELOPMENT COMMISSION.**

2 Title II of the National Housing Act (12 U.S.C. 1707
3 et seq.) is amended by adding at the end (after section
4 257, as added by section 3 of this Act) the following:

5 "CHILDREN'S DEVELOPMENT COMMISSION

6 "SEC. 258. (a) ESTABLISHMENT.—There is hereby
7 established a commission to be known as the Children's
8 Development Commission.

9 "(b) MEMBERSHIP.—

10 "(1) APPOINTMENT.—The Commission shall be
11 composed of 7 members appointed by the President,
12 not later than the expiration of the 3-month period
13 beginning upon the enactment of this section, by and
14 with the advice and consent of the Senate, as fol-
15 lows:

16 "(A) 1 member shall be appointed from
17 among 3 individuals recommended by the Sec-
18 retary of Housing and Urban Development or
19 the Secretary's designee.

20 "(B) 1 member shall be appointed from
21 among 3 individuals recommended by the Sec-
22 retary of Health and Human Services or the
23 Secretary's designee.

24 "(C) 1 member shall be appointed from
25 among 3 individuals recommended by the Sec-

1 retary of the Treasury or the Secretary's des-
2 ignee.

3 “(D) 4 members shall be appointed from
4 among 12 individuals recommended jointly by
5 the Speaker of the House of Representatives,
6 the Majority Leader of the Senate, Minority
7 Leader of the House of Representatives, the
8 Minority Leader of the Senate.

9 “(2) QUALIFICATIONS OF CONGRESSIONALLY
10 RECOMMENDED MEMBERS.—Of the members ap-
11 pointed under paragraph (1)(D)—

12 “(A) each shall be an individual who ac-
13 tively participates or is employed in the field of
14 child care and has academic, licensing, or other
15 credentials relating to such participation or em-
16 ployment; and

17 “(B) not more than 2 may be of the same
18 political party.

19 “(3) TERMS.—Each appointed member of the
20 Commission shall serve for a term of 3 years.

21 “(4) VACANCIES.—Any member appointed to
22 fill a vacancy occurring before the expiration of the
23 term for which the member's predecessor was ap-
24 pointed shall be appointed only for the remainder of
25 that term. A member may serve after the expiration

1 of that member's term until a successor has taken
2 office. A vacancy in the Commission shall be filled
3 in the manner in which the original appointment was
4 made.

5 “(5) CHAIRPERSON.—The chairperson of the
6 Commission shall be designated by the President at
7 the time of appointment.

8 “(6) QUORUM.—A majority of the members of
9 the Commission shall constitute a quorum for the
10 transaction of business.

11 “(7) VOTING.—Each member of the Commis-
12 sion shall be entitled to 1 vote, which shall be equal
13 to the vote of every other member of the Commis-
14 sion.

15 “(8) PROHIBITION ON ADDITIONAL PAY.—
16 Members of the Commission shall serve without
17 compensation, but shall be reimbursed for travel,
18 subsistence, and other necessary expenses incurred
19 in the performance of their duties as members of the
20 Commission.

21 “(c) FUNCTIONS.—The Commission shall carry out
22 the following functions:

23 “(1) CERTIFICATION OF COMPLIANCE.—The
24 Commission shall collect such information and make
25 such determinations as may be necessary to deter-

1 mine, for purposes of section 257(d), whether child
2 care and development facilities comply, or will be in
3 compliance within 12 months, with—

4 “(A) any laws, standards, and require-
5 ments applicable to such facilities under the
6 laws of the State, municipality, or other unit of
7 general local government in which the facility is
8 or is to be located, and

9 “(B) after the effective date of the stand-
10 ards and requirements established under para-
11 graph (2), such standards and requirements,
12 and shall issue certifications of such compliance.

13 “(2) ESTABLISHMENT OF STANDARDS.—

14 “(A) STUDY.—Not later than 12 months
15 after the date on which appointment of initial
16 membership of the Commission is completed,
17 the Commission, in consultation with the Sec-
18 retary of Housing and Urban Development and
19 the Secretary of Health and Human Services,
20 shall conduct a study to determine the laws,
21 standards, and requirements referred to in
22 paragraph (1)(A) that are applicable in each
23 State. Taking into consideration the findings of
24 the study, the Secretary shall establish stand-
25 ards and requirements regarding child care and

1 development facilities that are designed to en-
2 sure that mortgage insurance is provided under
3 section 257 and section 223(h) only for safe,
4 clean, and healthy facilities that provide appro-
5 priate care and development services for chil-
6 dren.

7 “(B) PUBLICATION.—The Commission
8 shall issue regulations providing for the stand-
9 ards and requirements established under sub-
10 paragraph (A) to take effect, for purposes of
11 sections 257(d)(2) and 223(h)(2)(B) and para-
12 graph (1)(B) of this section, not later than 18
13 months after the date of enactment of this sec-
14 tion.

15 “(8) SMALL PURPOSE LOANS.—The Commis-
16 sion ~~shall~~, to the extent amounts are made available
17 for such purpose pursuant to subsection (i) and
18 qualified requests are received, make loans, directly
19 or indirectly to providers of child care and develop-
20 ment facilities for reconstruction or renovation of
21 such facilities, subject to the following requirements:

22 “(A) Loans under this paragraph shall be
23 made only for such facilities that are financially
24 and operationally viable, as determined under

1 standards and guidelines to be established by
2 the Commission.

3 “(B) The aggregate amount of loans made
4 under this paragraph to a single borrower may
5 not exceed \$50,000.

6 “(C) A loan made under this paragraph
7 may not have a term to maturity exceeding 7
8 years.

9 “(D) Loans under this paragraph shall
10 bear interest at rates and be made under such
11 other conditions and terms as the Commission
12 shall provide.

13 “(4) NOTIFICATION.—The Commission shall
14 take such actions as may be necessary to publicize
15 the availability of the programs for mortgage insur-
16 ance under sections 257 and 223(h) and loans under
17 paragraph (3) of this subsection in a manner that
18 ensures that information concerning such programs
19 will be available to child care providers throughout
20 the United States.

21 “(5) LIABILITY INSURANCE.—Not later than 12
22 months after the date on which appointment of ini-
23 tial membership of the Commission is completed, the
24 Commission shall establish standards and guidelines,
25 applicable to mortgage insurance under sections 257

1 and 223(h) and loans under paragraph (3) of this
2 subsection, requiring child care providers operating
3 child care and development facilities assisted under
4 such provisions to obtain and maintain liability in-
5 surance in such amounts and subject to such re-
6 quirements as the Commission considers appro-
7 priate.

8 “(6) RESEARCH FOUNDATION.—Not later than
9 12 months after the date of enactment of this sec-
10 tion, the Commission shall submit a report to Con-
11 gress recommending a plan for establishing and
12 funding a foundation that is an entity independent
13 of the Commission (but which maintains association
14 with the Commission), the purpose of which shall
15 be—

16 “(A) to support research relating to child
17 care and development facilities;

18 “(B) to fund pilot programs to test innova-
19 tive methods for improving child care; and

20 “(C) to engage in activities and publish
21 materials to assist persons interested in mort-
22 gage insurance under sections 257 and 223(h)
23 and other assistance provided by the Commis-
24 sion.

25 “(d) NONDISCRIMINATION REQUIREMENT.—

1 “(1) IN GENERAL.—The Commission may not
2 certify under subsection (c)(1) or carry out any ac-
3 tivities of the Commission with respect to any child
4 care and development facility if the provider of the
5 facility discriminates on account of race, color, reli-
6 gion (subject to paragraph (2)), national origin, sex
7 (to the extent provided in title IX of the Education
8 Amendments of 1972 (20 U.S.C. 1681 et seq.)), or
9 handicapping condition.

10 “(2) FACILITIES OF RELIGIOUS ORGANIZA-
11 TIONS.—The prohibition with respect to religion
12 shall not apply to a child care and development facil-
13 ity which is controlled by or which is closely identi-
14 fied with the tenets of a particular religious organi-
15 zation if the application of this subsection would not
16 be consistent with the religious tenets of such orga-
17 nization.

18 “(3) CERTIFICATION.—As a condition of certifi-
19 cation under subsection (c)(1) and eligibility for a
20 loan under subsection (c)(3), the provider of a child
21 care and development facility shall certify to the
22 Commission that the provider does not discriminate,
23 as required by the provisions of paragraph (1) of
24 this subsection.

25 “(e) POWERS.—

1 “(1) ASSISTANCE FROM FEDERAL AGENCIES.—

2 The Commission may secure directly from any de-
3 partment or agency of the Federal Government such
4 information as the Commission may require for car-
5 rying out its functions. Upon request of the Com-
6 mission, any such department or agency shall fur-
7 nish such information.

8 “(2) ASSISTANCE FROM GENERAL SERVICES
9 ADMINISTRATION.—The Administrator of General
10 Services shall provide to the Commission, on a reim-
11 bursable basis, such administrative support services
12 as the Commission may request.

13 “(3) ASSISTANCE FROM DEPARTMENT OF
14 HOUSING AND URBAN DEVELOPMENT.—Upon the re-
15 quest of the Commission, the Secretary of Housing
16 and Urban Development shall, to the extent possible
17 and subject to the discretion of the Secretary, detail
18 any of the personnel of the Department of Housing
19 and Urban Development, on a nonreimbursable
20 basis, to assist the Commission in carrying out its
21 functions under this section.

22 “(4) MAILS.—The Commission may use the
23 United States mails in the same manner and under
24 the same conditions as other Federal agencies.

25 “(f) STAFF.—

1 “(1) EXECUTIVE DIRECTOR.—The Commission
2 shall appoint an executive director of the Board, who
3 shall be compensated at a rate fixed by the Commis-
4 sion, but which shall not exceed the rate established
5 for level I of the Executive Schedule under title 5,
6 United States Code.

7 “(2) OTHER PERSONNEL.—In addition to the
8 executive director, the Commission may appoint and
9 fix the compensation of such personnel as the Com-
10 mission considers necessary, in accordance with the
11 provisions of title 5, United States Code, governing
12 appointments to the competitive service, and the
13 provisions of chapter 51 and subchapter III of chap-
14 ter 53 of such title, relating to classification and
15 General Schedule pay rates.

16 “(g) REPORTS.—Not later than March 31 of each
17 year, the Commission shall submit a report to the Presi-
18 dent and Congress regarding the operations and activities
19 of the Commission during the preceding calendar year.
20 Each annual report shall include a copy of the Commis-
21 sion’s financial statements and such information and other
22 evidence as is necessary to demonstrate that the activities
23 of the Commission during the year for which the report
24 is made. The Commission may also submit reports to Con-

1 gress and the President at such other times as the Com-
2 mission deems desirable.

3 “(h) DEFINITIONS.—For purposes of this section, the
4 terms defined in section 257(i) shall have the same mean-
5 ings as provided under such section.

6 “(i) AUTHORIZATION OF APPROPRIATIONS.—There
7 are authorized to be appropriated to the Commission to
8 carry out this section \$10,000,000 for fiscal year 1999,
9 to remain available until expended, of which not more than
10 \$2,500,000 shall be available for administrative costs of
11 the Commission and the remainder of which shall be avail-
12 able only for loans under subsection (c)(3).”.

13 **SEC. 6. STUDY OF AVAILABILITY OF SECONDARY MARKETS**
14 **FOR MORTGAGES ON CHILD CARE FACILI-**
15 **TIES.**

16 (a) STUDY.—The Secretary of the Treasury shall
17 conduct a study of the secondary mortgage markets to de-
18 termine—

19 (1) whether such a market exists for purchase
20 of mortgages eligible for insurance under sections
21 223(h) and 257 of the National Housing Act (as
22 added by this Act);

23 (2) whether such a market would affect the
24 availability of credit available for development of

1 child care and development facilities or would lower
2 development costs of such facilities; and

3 (3) the extent to which such a market or other
4 activities to provide credit enhancement for child
5 care and development facilities loans is needed to
6 meet the demand for such facilities.

7 (b) REPORT.—The Secretary of the Treasury shall
8 submit to Congress a report regarding the results of the
9 study conducted under this section not later than the expi-
10 ration of the 2-year period beginning on the date of enact-
11 ment of this Act.

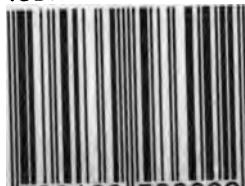
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